



GENERAL SERVICES ADMINISTRATION

CFO P 4253.1B

May 2, 2012

Accounts Receivable and Debt Collection Manual

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INTRODUCTION

This manual establishes uniform policies for accounts receivable functions and provides guidance on procedures and operational requirements for the General Services Administration (GSA). This manual is a useful supplement to other regulations and guidelines on managing accounts receivable, including Federal Accounting Standards Advisory Board (FASAB) pronouncements, Office of Management and Budget (OMB) circulars, Department of Treasury Financial Manual (TFM), and various Public Laws (PL). These policies and procedures apply to all Services and Staff Offices (SSO).

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CHAPTER 1. GUIDELINES, INTERNAL CONTROL, AND CASH MANAGEMENT

PART 1. INTRODUCTION

1. Purpose. This chapter establishes guidelines and internal control policies and procedures for managing cash and accounts receivables. The Department of the Treasury (Treasury) Financial Management Service (FMS) requires Federal Program Agencies (FPA) to monitor cash and implement effective internal control policies and procedures to prevent fraud, waste and abuse.
2. Applicability. This information provides policy guidance to those who are performing billing, accounts receivable, and collection functions.
3. Responsibilities. The accounts receivable function includes the following responsibilities:
 - a. Billing customers for goods and services.
 - b. Establishing and adjusting income accruals.
 - c. Maintaining the accounts receivable subsidiary records.
 - d. Classifying and recording deposits and collections received.
 - e. Accounting and collecting receivables.
 - f. Accounting and collecting non-Federal claims
 - g. Preparing correspondence and answering inquiries regarding bills rendered, accounts receivable, and collection items.
 - h. Reporting and collecting delinquencies.
4. Statutes, regulations, and guidance governing accounts receivable operations.
 - a. The Debt Collection Improvement Act of 1996 (DCIA), 31 U.S.C. § 3701 et seq., expands the government's right to use collection tools such as private collection agencies and offset of government payments
 - b. Relief of Liability for Accountable Officials and Agents, 31 U.S.C. § 3527 and 3528, provides standards for Federal agencies in providing relief to accountable officials. In addition, 31 U.S.C. § 3529 allows disbursing and certifying officials and heads of agencies to request advance opinions concerning the disposition of funds from the Comptroller General.

- c. Chief Financial Officers Act of 1990 (CFO Act) 31 U.S.C. § 9105 et seq., provides guidance on effective financial management practices for the Federal government's financial management, accounting, and internal control systems.
- d. Administrative Dispute Resolution Act of 1986 (ADRA), 5 U.S.C. Section 584 § 8, raised the authority of agencies to compromise, suspend, and terminate collections up to \$100,000 and gives the U.S. Attorney General authority to increase this threshold administratively.
- e. Federal Credit Reform Act of 1990, 2 U.S.C. § 661, a through f, requires agencies to estimate a credit program's subsidy cost for direct and guaranteed loans for inclusion in budget outlays.
- f. Federal Debt Collection Procedures Act of 1990 (FDCPA), 28 U.S.C. § 3001 et seq., established a uniform process through the court system for collecting debts owed the Federal government and provides for uniform procedures for enforcing judgments to collect Federal debt.
- g. Federal Claims Collection Standards (FCCS), 31 Code of Federal Regulations (CFR) Parts 900-904, provide general rules on debt collection for Federal agencies.
- h. Treasury Financial Manual (TFM), Volume 1, contains procedures related to accounts receivable policies for collections, deposits, credit management, debt collection, and central accounting and reporting.
- i. The Office of the Chief Financial Officer Handbook (CFO Handbook), COM P 4251.1, prescribes GSA accounting policy and procedures.
- j. Chief Financial Officer (CFO) Delegations of Authority, CFO P 5450.1, outlines delegations of authority from the CFO to Heads of Services and Staff Offices (HSSO) and Regional Commissioners (RC).
- k. Federal Acquisition Regulation (FAR), 48 CFR. 32.610, Compromising Debts, provides policy guidance on the authority to compromise debts.
- l. GAO, Principles of Federal Appropriation Law, provides guidance on the availability or unavailability of receipts for agency use.
- m. OMB Circular A-123, Management's Responsibility for Internal Control, provides guidance to Federal managers on efforts to improve the accountability and effectiveness of Federal programs.
- n. OMB Circular A-129, Policies for Federal Credit Programs and Non-Tax Receivables, prescribes policies and procedures for justifying, designing, and managing Federal credit programs and for collecting non-tax receivables.

PART 2. GENERAL GUIDELINES

5. Recording receivables. Record accounts receivable when services are performed, or supplies or properties are sold. This includes items paid and collected through the Treasury Intra-governmental Payment and Collection (IPAC) system, or other billing method outlined in the inter-agency agreement. Other collections are recorded when received through automated and non-automated lockboxes or other means.

6. Billings.

a. GSA may send detailed listings and supporting documentation containing necessary information to allow customers to identify their requisition, purchase order or other ordering document, or may place the information on an internet website for review by the customer. The billing must also identify any advance payments that were received.

b. Bills shall be prepared and issued promptly after notification that goods have been shipped, released, or services have been performed.

7. Determination of Federal and non-Federal customers.

a. Entities listed in the Treasury Federal Account Symbols and Titles (FAST) book shall be classified as Federal. All other customers will be classified as non-Federal. Contractors that are sponsored by Federal agencies under the provisions of FAR 51.1 and 51.2 retain their non-Federal status in all cases.

b. The official system of record for GSA Agency Bureau (AB) codes is Pegasys. Although AB codes may be listed in OCFO handbooks or other manuals, the SSO must refer to Pegasys for the most current codes available. The Financial Reporting Division (BCC) will be responsible for establishing or changing AB codes. The SSO must provide documentation upon request to BCC to support AB code setup for a sponsored contractor.

8. Collections and deposits.

a. The Financial and Payroll Services Division (BCE) and the Financial Services Division (BCF) must take aggressive action to collect receivables owed on a timely basis, using effective follow-up procedures.

b. Deposit procedures must ensure prompt transfer of deposits to the General Fund of the Treasury in accordance with regulations.

9. Accruals. Record all income earned during the accounting period before closing the accounts. Record income directly from billing documents when appropriate. Goods and services provided and not billed due to timing and/or lack of documents are recorded as revenue and receivables during the month. Additionally, revenue from

commodity orders shall be recognized on delivery. At the end of each month, interest earned but not received must be accrued through the last day of the month and recorded before the month-end closing. Bills for delinquent interest bearing accounts must include interest earned through the date of the billing. Accrue interest on receivables that have been referred to the Department of Justice (DOJ). Accrue interest, penalty, and administrative costs on non-Federal claims when they are referred to the Treasury Debt Management Service (DMS) for cross-servicing collection.

10. BPN Number. The OCFO, Office of Financial Management Systems (BD), is responsible for establishing or changing all BPN numbers within GSA in the Federal Agency Registration (FedReg) system. BD is also responsible for periodic recertification of BPN information in the Federal registry database. To provide for consistency across GSA, SSOs are not authorized to directly register BPN numbers.

a. SSOs will provide BD with a hierarchy code along with the entity name and address to establish the BPN number. SSOs shall ensure that every Agency Location Code (ALC) submitted by Federal customers has a valid BPN number. BD will contact the SSO when the account has been established or changed.

b. The BPN number will be registered with the Employer Identification Number (EIN), Department Code, ALC and the Disbursing Office Symbol.

PART 3. INTERNAL CONTROL AND FRAUD PREVENTION AND DETECTION

11. Introduction. BCE and BCF have the primary responsibility for implementing a system of checks and balances that aid in detecting and preventing fraud. Internal controls shall be designed so that it would be extremely difficult to commit a crime with or without collusion. If controls are weak, steps shall be taken to strengthen them with due consideration to the implementation cost and the potential loss from fraud. The following guidance for preventing or detecting fraud is as follows:

a. Cash.

- (1) Receipts must be recorded and cash deposited promptly.
- (2) Cash and checks over \$5,000 should be deposited within one business day.

b. Receivables.

- (1) Record receivables promptly.
- (2) Determine and report the source and age of receivables.
- (3) Make continual, timely attempts to collect receivables due.
- (4) Identify uncollectible receivables.

(5) Validate write-offs and settlement or forgiveness of debt.

(6) Collect, control, and report repayments under applicable laws and regulations.

(7) Record, file, and secure title to property used as collateral.

12. Internal control objective. Internal controls are the mechanisms an organization uses to achieve its mission, and at the same time, attain certain management or control objectives such as operational efficiency and effectiveness. Internal controls help to ensure compliance with laws, regulations, and policies; the safeguarding of assets and the preparation of accurate and reliable information. The ultimate responsibility for strong internal controls resides with an organization's management. Internal controls should be developed and exist within each event cycle and among transaction cycles; thus, internal control objectives need to be developed and followed for each cycle.

13. Internal operation review. The accounts receivable offices in BCE and BCF must implement procedures to review their activities. For example, one internal control that is required in the accounts receivable operation is the review of employee work by supervisors. The supervisor must monitor billings, delinquencies, and collections. This technique pinpoints areas of inadequate control and allows identification of ways to make the operation more efficient.

Daily deposits shall be reviewed to ensure that the duties of receiving and logging collections are separate from the duties of preparing and depositing funds. At least two people must be present when mail is opened and recorded.

14. What to do if you suspect fraud. There is a difference between accounting errors, which may result from mistakes, poor management oversight or weak internal controls, and fraud. A customer billing error may occur because the proper internal control is weak or nonexistent; this is not fraud. Fraud is an intentional deception made for personal gain or to damage another individual or entity. Proving or demonstrating fraud requires intent. For example, if it can be demonstrated that an employee prepared incorrect billings for a customer and then kept the collected amounts, this would constitute fraud. In many cases of fraud there may be collusion between more than one employee and the customer.

Any employee that suspects or detects fraud must promptly report it to an official in their chain of command or directly to the Office of the Inspector General (OIG). The Inspector General Act assures the right of each employee to refer complaints and suspicions of wrongdoing directly to the OIG. Furthermore 5 CFR Part 6701.107, supplemental standards of ethical conduct for employees of the GSA, states that GSA employees shall disclose immediately any waste, fraud, abuse, and corruption to appropriate authorities, such as the OIG. If fraud is directly reported to any GSA official, that GSA official must immediately report the matter to the OIG.

15. GAO Standards. 31 United States Code (U.S.C) § 1105, 1113, 3512 establishes specific requirements with regard to management control. Federal agencies are required to evaluate internal controls to assure compliance with the standards established by GAO. Managers and supervisors should employ the following types of internal controls:

a. Preventive - Control procedures that prevent something from happening. Separation of duties and authorization processes are types of preventive controls.

b. Detective - Analytical control procedures that monitor activity and processes. These controls determine if the preventive controls have failed or if something is out of compliance. Change monitoring and verification are types of detective controls.

c. Corrective - Control procedures that are designed to correct errors or irregularities that have been detected. Corrective controls identify the fault after an issue has occurred, and involve putting in place a process or procedure to minimize the issue in the future. Abnormal accounts receivable balances are types of controls that need to be detected and corrected.

The combination of these three types of internal controls creates a system of checks and balances to help ensure that the processes, people, and technology operate within prescribed boundaries.

16. Separation of duties. Separation of duties helps reduce the opportunity to misuse cash receipts and accounting records to conceal errors or fraud. The accounting practice and procedure requiring separation of duties is based on fundamental internal control concepts. It requires that individuals responsible for handling cash receipts should not participate in the accounting or operating functions related to any of the following:

a. Shipping of goods and billing for goods and services.

b. Controlling accounts receivable and subsidiary ledgers.

c. Preparing and mailing statements of balances due.

d. Authorizing and approving credits for returns and allowances or for adjustments of amounts due.

17. System edits. Important controls for detecting fraud and abuse are the edits programmed into accounting systems. System edits screen transactions entered against predetermined requirements and compatibility checks to other data elements that are required for all incoming financial transactions. Although the edit system ensures consistency in accounting entries, it is only part of the overall system of internal control. System edits are more effective if they are not manipulated. All transactions that do not pass system edits must be cleared and corrected in a timely manner.

18. Rotating office responsibilities. Rotating people into different work areas or switching workload assignments within the work area will also contribute toward preventing infractions, accounting discrepancies, and other undesired actions; whether intentional or unintentional.

19. Physical security. Cash must be safeguarded against waste, loss, unauthorized use, and misappropriation. Cash and negotiable instruments are highly susceptible to theft or loss. The risk of loss may be reduced by taking the following steps:

- a. Allow only authorized personnel to have access to the cash handling activity.
- b. Safeguard cash by using effective internal control procedures to record incoming cash and checks.
- c. Physically secure cash and checks in a locked safe or drawer until deposited.

PART 4. CASH MANAGEMENT

20. General. Federal agencies are required to effectively conduct financial activities to make the maximum amount of cash available to the Treasury on a continuing basis for investment and to avoid unnecessary borrowing. Cash management is designed to get the greatest value of money collected, disbursed, or held. The primary objectives of effective cash management are to accelerate receipts, control disbursements, reduce idle funds, and return surplus cash to Treasury.

21. Scope and authority.

a. Scope. The ensuing policy prescribes the cash management guidelines for conducting financial activities including billings, collections, and deposits.

b. Authority. The following regulations establish the policy for cash management practices within the Federal government relating to the development, promulgation, and implementation of regulations, systems and procedures.

(1) DCIA, 31 U.S.C. § 3701 et seq.

(2) Cash Management Improvement Act, 31 CFR 205 Final Rules, and TFM, Volume 1, Part 6, Chapter 8000.

(3) GSA Delegations of Authority Manual, (ADM P 5450.39C), Chapter 9, Part 1.

(4) GAO Policy and Procedures Manual for Guidance of Federal Agencies, Title 2, Accounting, and Title 7, Fiscal Guidance.

(5) GAO Principles of Federal Appropriations Law, Volume I-IV (also known as The Red Book).

(6) OMB Circular A-123, Management's Responsibility for Internal Control.

22. Billings. Non-Federal entities must pay in advance for goods and services except those business activities exempted in Chapter 3, Part 1, Section 1. For exempt activity, preparation of bills to non-Federal entities requires timely processing to ensure effective cash management. Billings must be prompt and must clearly indicate the requirements for timely payment, partial billing, and interest penalties on late payments. The following requirements must be adhered to:

a. Ensure that a bill, for an actual or estimated amount is prepared and mailed within five business days after the goods have been shipped/released or services have been rendered. The bill must be mailed within five business days unless it is more cost effective not to mail the bill within five business days. In this case, the bill must be mailed as soon as practicable, but no later than the next billing cycle.

b. Include a payment due date on the bill that will not be more than 30 days from the date of the invoice (TFM, Volume 1, Part 6, Chapter 8000), unless otherwise provided by law or other agreement.

23. Collections. Timely processing of collections is one of the primary objectives of effective cash management. Any increase in funds available to Treasury reduces the amount Treasury must borrow. Financial management employees must be aware of cash management regulations and make every effort to institutionalize effective cash management practices into GSA collection processes to ensure effective and efficient management of the U.S. government's cash.

a. BCE and BCF must follow these procedures when handling checks and cash:

(1) Cash

(a) When an individual opens mail containing cash, another individual must immediately verify the amount of cash received.

(b) Cash receipt must be entered on the Cash Log.

(c) Cash Log is printed and signed by both individuals that verified the count.

(d) Cash and Cash Log are then to be hand carried to the Operations Group Manager.

(e) Operations Group Manager will verify the count, sign the Cash Log, and secure the cash in a locked cabinet or safe.

(f) Cash Log, the original envelope, and any backup documents received with the cash will be hand carried to the appropriate Cash group.

(g) Cash group will review the envelope and backup information to determine the appropriate Service or Staff Office lockbox where the cash will be mailed.

(h) Cash group will update the Cash Log with the correct lockbox designation, sign the log, and return it to the Operations Group Manager.

(i) Operations Group Manager will obtain funds approval to purchase a cashier check and take cash to the bank to be converted to a cashier check made payable to GSA.

(j) The cashier check will be sent via overnight mail to the designated lockbox.

(2) Checks.

(a) When an individual opens mail containing checks, the individual will immediately enter the check information on the Check Log.

(b) Checks, two hard copies of the Check Log, the original envelope and any backup documents received with the checks will be hand carried to the Designated Cash group.

(c) Designated Cash group will verify the checks with the Check Log, sign both Check Logs, and return one copy of the Check Log to the employee that entered the check information on the Check Log.

(d) Designated Cash group will review the checks, the envelope, and backup information to determine where the funds should be deposited.

(e) Checks not made payable to GSA will be separated from the deposit batch. The Designated Cash group will be responsible for returning any checks that are not made payable to GSA.

(f) Designated Cash group will update the retained copy of the Check Log with the correct lockbox designation and indicate any checks removed to be returned to sender. The checks will be secured in a locked drawer until reviewed by the Designated Cash group employee.

(g) Designated Cash group will carry checks with two copies of the updated Check Log back to the individual that opened the mail.

(h) The individual that opened the mail will verify the checks against the updated Check Log and sign both Check Logs and return one copy of the Check Log to the Designated Cash Group for deposit.

(i) Checks will be sent via overnight mail to the designated lockbox. Checks will be secured in a locked cabinet until sent to the lockbox.

b. The BCE and BCF collection process must include the requirements listed below.

(1) GSA collection systems must be designed to adapt to the volume and character of collections, maximize the availability of cash to Treasury on a continuing basis, and ensure effective and efficient management.

(2) Collection procedures shall assure prompt and continuing action to collect and minimize outstanding receivables.

(3) Collection options available for consideration when developing or strengthening collection practices include, but are not restricted to the following:

(a) The Treasury lockbox system, Automated Clearing House (ACH), Fedwire Deposit System (FDS), Treasury Offset Program (TOP), Pay.Gov, Treasury Cross-Servicing, Administrative Wage Garnishment, and Federal Salary Offset are collection mechanisms by which amounts are transferred to a Federal agency from an outside source or from another Federal agency. All of these mechanisms are authorized by Treasury and can be used to collect money, to reduce administrative processing, improve deposit reporting, improve the availability of funds to the government, and enhance convenience to remitters in paying their bills. All funds shall be collected by Electronic Funds Transfer (EFT) when cost-effective, practicable, and consistent with current statutory authority.

(b) IPAC's primary purpose is to provide an automated, standardized, inter-agency funds expenditure transfer mechanism for FPAs. It facilitates intragovernmental e-commerce by transferring funds, with related descriptive data, from one FPA to another on a real-time basis. The IPAC system enables FPAs to exchange accounting information and to transfer funds between agencies involved in buyer/seller relationships. It establishes standardized inter-agency payment, collection, and adjustment procedures through an Internet-based application. Use of the IPAC System helps alleviate government-wide problems concerning reconciliation of agency accounts caused by manual, paper-based, labor-intensive methods for inter-agency funds transfer. Immediate payment or adjustment is accomplished through the use of an 8-digit ALC.

(c) The Treasury conducts reviews of agency cash flow, corresponding cash management processes, mechanisms, and cost/benefit analysis after they receive a request for access to collection systems. Treasury will authorize and assist GSA in the implementation of the request or the appropriate collection system when the service is

cost beneficial to the government. Treasury will also work with GSA on operational issues and resolutions of problems.

c. BCE and BCF must implement the following cash policy:

(1) Timely deposit of all funds collected. All individuals, except those in BCE and BCF, must deliver receipts to individuals that have been designated to collect money in their regions. Individuals in BCE and BCF must forward receipts to their collection unit for depositing.

(2) Debt collection programs. Debt collection programs must be comprehensive, aggressive and uniformly applied. They must provide cost-effective collection procedures consistent with good business practices, leading to collection, referral for legal action, or termination of collection activity. Written demands for outstanding receivables shall be made promptly. Detailed procedures regarding non-Federal receivables and claims are provided in Chapter 3.

(3) The Debt Collection Improvement Act (DCIA) provides a greater array of debt collection tools, including expanding offset authority and increasing use of cross-servicing and private collection contractors. Agencies are authorized to deduct fees for cross-servicing from collections. Fees may be added to debt for administrative costs. DCIA also provides for the following:

(a) Debts referred or transferred to Treasury-designated debt collection center(s) for collection are serviced in accordance with statutory requirements.

(b) Non-tax debts 180 or more days delinquent must be transferred to the Treasury for collection, 31 U.S.C. § 3711(g). Agencies are encouraged to consider referral of debts less than 180 days delinquent to Treasury designated collection centers. DCIA provides five specific statutory exemptions from referral for debt as follows:

(i) In litigation or foreclosure.

(ii) That will be disposed of under an established asset sales program (within a specific timeframe).

(iii) Referred to a private collection contractor for a period of time determined by the Secretary of Treasury.

(iv) Referred by, or with the consent of, the Secretary of Treasury to a Treasury-designated debt collection center for period of time determined by the Secretary.

(v) Collected by internal offset.

(c) Collection of late payments. Assessment and payment of late charges (interest, penalties, and administrative costs), does not relieve the debtor of the obligation to pay when due. Payments received shall be applied first to administrative costs and penalties, second to interest, and third to principal. In cases where late payment charges have been waived or are prohibited by law, the payment received shall be applied first to interest and second to principal. Charges for late payments must be inserted in all contracts, agreements, or other formal payment arrangements. Initial notice of amounts due, when covered by contracts, agreements, or other formal payment arrangements, will inform the debtor of the reason for indebtedness, the due date, and the debt late charge penalty for payments received after the due date, as well as the debtor's rights.

Charges for payments received after the due date shall be assessed on non-Federal accounts receivable in the form of interest, penalty, and administrative charges as provided for in DCIA and the Contract Disputes Act of 1978.

24. Miscellaneous deposits. Every effort shall be made in GSA to process deposits in a manner that expedites the flow of funds to Treasury. Deposit procedures must ensure the transfer of deposits to Treasury without delay. Deposit systems and procedures shall include provisions for separating payments received (cash, checks, money orders) from other accounting documents at the earliest processing point practical.

a. Processing deposits. GSA must use expeditious procedures in the receipt processing to minimize the amount of time between the initial receipt of a payment and the presentation of that receipt for deposit. Priority will be given to procedures that will improve the timeliness of availability of funds to Treasury.

b. Deposit requirements. Frequency of deposits will depend on the amount of funds received by a depositing office. The guidelines for the frequency of deposits are contained in TFM, Volume 1, Part 5.

25. Responsibilities. HSSOs and RCs are responsible for ensuring that the provisions of this chapter are incorporated into their orders, manuals, and desk guides wherever applicable, and are included as an integral part of their comprehensive audit and review of programs. Copies of GSA internal audit reports relating to the subject of cash management shall be provided, upon request, to the Cash Management Regulations and Compliance Staff of Treasury. The Office of Financial Policy and Operations (BC) is responsible for:

a. Establishing a system to monitor GSA cash balances, management practices and to provide a periodic, but not less than annual, review of these practices to ensure that they comply with the policies contained in this chapter.

b. Reporting summary reviews of GSA cash management practices to Treasury.

c. Updating the Accounts Receivable and Debt Collection Manual with current cash management policies and procedures from Treasury.

CHAPTER 2. BILLING AND SERVICING FEDERAL RECEIVABLES

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CHAPTER 2. BILLING AND SERVICING FEDERAL RECEIVABLES

PART 1. BILLING

1. OCFO policies regarding duties.

a. Sales on account should be recorded and billed as soon as possible. If the exact amount is unknown, a reasonable estimate may be billed.

b. Earned but unbilled receivables shall be recorded at the end of each monthly accounting period and billed in the next cycle or in accordance with the inter-agency agreement.

c. Receivables for services shall be recognized only as services are performed.

d. Amount billed and due from a customer is the net price after all applicable charges and discounts. This amount will be recorded as the receivable and related revenue.

e. Detailed subsidiary records by debtor and fund are to be maintained.

f. Subsidiary records should support amounts on the balance sheet.

g. Detailed procedures for some billings are contained in memoranda and other documents maintained by the respective SSO.

h. Schedules regarding billing cutoff dates, deadlines and accounting system descriptions are maintained by BC.

2. References to FASAB and Treasury policies.

a. Statement of Federal Financial Accounting Standards (SFFAS) 1, Accounting for Selected Assets and Liabilities, includes Federal policy for accounts receivable, interest receivable, and advances and prepayments.

b. TFM, Volume 1, includes guidance on payments by Federal agencies, IPAC, and adjustments for erroneous charges.

c. FAST Book. The FAST Book is a supplement of Treasury Financial Manual and lists receipt, appropriation, and other fund account symbols and titles assigned by Treasury. The FAST Book is to be used as the authority to identify all Federal entities.

3. Non-IPAC payments. The primary authority for agencies to pay GSA promptly is contained in the Federal Property and Administrative Services Act of 1949, as amended, at 40 U.S.C. § 490(j), 756(b) and 757. The Economy Act, 31 U.S.C. § 1535 also states that payment for intra-agency agreements shall be made promptly.

PART 2. SPECIAL PROCEDURES

4. Bills to State Offices of the United States Congressional staff.

a. Rent. GSA submits a monthly bill for the rent on all office space provided to congressional staff in buildings controlled by GSA. Each bill includes the amount for rent, standard building services and adjustments to reflect changes in space and to correct any errors in the preceding month's bill. Rent bills and Reimbursable Work Authorization (RWA) bills are sent to the State Office Liaison, Office of the Sergeant at Arms, House and United States Senate, Room S-321, U.S. Capitol Building, Washington DC 20510.

b. Furniture. The Office of Congressional and Intergovernmental Affairs submit a quarterly bill for furniture to the State Office Liaison. The Congressional Inventory System (CIS) figures accompany the bill to substantiate the charges. Furniture charges are derived in the following manner:

(1) The CIS assesses a user charge for office furniture purchased that equates to 8.34 percent of the purchase price for 12 years. When GSA recovers the acquisition cost for the furniture, no further charges are assessed.

(2) When an item less than 12 years old is removed from an office and is not reassigned to another office space, the Sergeant at Arms is billed for the amount still owed to GSA for the original purchase price of the furniture.

c. Telephone service. GSA submits a monthly bill for telecommunication services (local service and message units) provided to state offices. The bills are sent to the Financial Assistant, Senate Telecommunications Department. Bills for commercial long distance, except when designated otherwise by the Senate Telecommunications Department, together with detailed backup, are submitted directly to Senators from GSA on GSA Form 789, Statement, Voucher and Schedule of Withdrawals and Credits. The Senators verify the charges as correct and forward the bills to the Telecommunications Department for preparation of vouchers from Senators' official office expense accounts. Charges for services/features (e.g., voice mail, call forwarding, extra line) above the allocation levels for Senators are established by the Committee on Rules and Administration and shall be billed to the Senator on a separate account. The House of Representatives telephone bills are sent to the Finance Office, House of Representative.

d. Miscellaneous reimbursable expenses. The GSA Office of Congressional and Intergovernmental Affairs will submit a quarterly bill for miscellaneous reimbursable expenses to the State Office Liaison. These expenses include carpets, draperies, window blinds, furnishings, furniture repair, furniture rehabilitation, moving and transportation costs, renting commercial storage space and all other services not related to space alterations or adjustments. Copies of GSA financial obligations to substantiate the charges must accompany the bill.

PART 3. SERVICING FEDERAL RECEIVABLES

5. General. BCE and BCF must take aggressive action on a timely basis, with effective follow-up to collect all bills, claims, and debts owed to GSA. Debtors are more likely to pay when first requested if GSA has a vigorous collection policy for all receivables.

6. Guidelines.

a. Controlling correspondence. When servicing Federal receivables, GSA will respond promptly to communications from the debtor. Incoming correspondence should be controlled to ensure responses are timely.

b. Follow-up files. Paper and electronic files are maintained for correspondence with customers and write-off approvals.

(1) Records of telephone conversations should include the name, position, and telephone number of the person contacted, date of contact, brief reason for the contact, brief write-up of the discussion and initials of the person making the contact.

(2) Support documentation related to follow-up action on delinquencies must be maintained to include the date and number of the demand letter.

c. Disputed billings. When a customer advises the accounts receivable office by letter or telephone that an outstanding bill is not being paid because the customer disagrees with the billing amount, the bill should be considered in dispute. If only a part of the billing is disputed, GSA will advise the customer to pay the undisputed amount. Additionally, clients with disputed bills should be referred to the appropriate SSO, especially when verifying the validity of the bill. Disputed Federal bills shall be resolved in accordance with the Treasury Bulletin No. 2011-04, Intragovernmental Business Rules Section VII of Attachment 1, through the OCFO Council, Intragovernmental Dispute Resolution Committee.

d. Credit billings.

(1) When a credit billing is generated, the customer has the option to use the credit as an offset to other billings within the same appropriation category or request a refund; however, the customer shall not cross the appropriation {e.g., Federal Acquisition Service (FAS) credit cannot be applied to the Public Buildings Service (PBS)}.

(2) Refunds will not be mailed to a post office box. GSA shall request EFT information or mailing address from the customer.

(3) If an offset is not requested by the customer within 60 days, GSA will promptly issue a refund. If the customer agency will not accept the funds after two refund attempts, GSA will return the funds to General Fund of Treasury 0890. A refund

to non-IPAC customer shall be processed using a Standard Form (SF) 1047, Public Voucher for Refunds.

(4) If the funds were returned to Treasury General Fund, the refund document should reference pertinent information {e.g., reason for refund, date of overbilling, statement number, Billed Office Address Code (BOAC)}, because the customer will need this information to identify the refund. A copy of the refund document should be forwarded to the customer. Customers that request prior notice before refunds occur should be accommodated.

e. Duplicate payments. When a copy of a collection remittance is received and research discloses a duplicate payment has been made by the customer, the overpayment shall be included in the pending file system and liquidated by offset to another outstanding receivable in the customer's account, or a refund must be issued to the customer within 60 days.

f. Refunds. A copy of all related correspondence and documentation must be retained in a refund file controlled at no lower than the unit accountant. The collection record of action in the customer file will be updated to include the refund action. Before a refund is issued, confirm that:

- (1) Valid credit bill or overpayment on the account exists;
- (2) No delinquent amounts exist; and
- (3) Refund is properly approved.

7. Aids in collecting delinquent receivables.

a. The accounts receivable aged subsidiary is one tool used in evaluating delinquent accounts. The aged subsidiary identifies the total amount due from each customer and age of each receivable.

b. Telephone calls, e-mail, and correspondence. A contact should be established in the office of each agency responsible for payment of delinquent bills. Generally, the debtor agency billing office is the starting point for establishing contact. Contacts by telephone, e-mail, and/or letter should be made to the debtor agency until the delinquency is resolved. When contacting a customer concerning a delinquent bill, all other open receivables should be included in the discussion. The customer's name, telephone number and address should be recorded for all BOACs with delinquent bills.

c. The SSO that initiated the billing should be used as a source for establishing contacts for billed receivables. A contract or other supporting documents shall be kept on file in the office that manages the fund and should contain the names, telephone numbers and addresses for relevant contacts. Accounts that are considered in dispute

are settled between the responsible SSO and customer. BCE and BCF should try to obtain additional assistance from the customer agency whenever necessary.

d. Central Office. A Central Office BC representative may be asked to contact the headquarters of a delinquent agency when the customer agency does not respond to follow-up.

e. Delinquency statements. Receivables due from another Federal agency are considered delinquent when they are unpaid 45 days after the invoice date. A delinquency notice shall be mailed monthly to customers having a bill 45 days overdue. The statements can be sent with reminders, added data, or information that may expedite settlement of the account. These statements are mailed to delinquent customers without prior review if the account was previously accurate without any current activity, with the exception of congressional accounts. Congressional accounts must be reviewed prior to mailing to ensure accuracy. Unresolved disputed items and customers with overall credit balances also require validation. A maximum of four notices shall be sent to the customer.

8. Write-off action. Once all collection efforts have been exhausted and the account outstanding is considered uncollectible, a request for write-off shall be made. Copies of all related supporting detail shall be forwarded to the appropriate level supervisor for write-off approval.

a. The write-off request shall be posted to the customer's account file and include the statement number and the amount recommended for write-off.

b. Authorized levels for write-off approval are:

(1) Unit accountant has authority to write off amounts up to \$1,000. Amounts under \$50 resulting from over or under payments should be written off after 30 days delinquent.

(2) First line supervisor has the authority to write off amounts up to \$5,000.

(3) Branch Chief has the authority to write off amounts up to \$10,000.

(4) Division Director has the authority to write off amounts up to \$20,000.

(5) Amounts greater than \$20,000 must be submitted to the Deputy CFO for approval.

c. If an account previously written off is later collected, the account will be adjusted to reflect payment and the write-off reversed.

d. Prior to writing off an account, the SSO shall be advised of the action and given an opportunity to respond. The threshold amounts for referral are:

(1) Fund 299X - \$5,000;

(2) Fund 192X - \$1,000

(3) Funds 255X and 455X - \$50,000 limit per statement or \$250,000 limit per month on an individual BOAC.

e. Improper Payments Elimination and Recovery Act (PL 111-204) states that erroneous payments shall not be written off. A claim shall be established for all erroneous payments.

9. Follow-up on delinquent accounts. While the nature of the escalation and aggressive pursuit of delinquent accounts differs according to the particular account, emphasis on collecting delinquent accounts should generally be placed on the oldest and highest amounts in terms of outstanding dollars. The oldest and highest accounts, at a minimum shall be followed up each month. These guidelines shall be used, in part or whole, based on the circumstances of the debt:

a. Initial follow-up (accounts 1 - 30 days past due) shall be made by letter to the customer's contact representative. Based on past experience, if a customer is continuously delinquent in paying, the initial contact may be at the unit accountant level.

b. Second follow-up (accounts 31 - 60 days past due) shall be made by letter and telephone to at least a Branch Chief level with the unit accountant signature.

c. Third follow-up (accounts 61 - 90 days past due) shall be by letter and telephone and signed by the supervisor to the customer's director or above. The letter should include information on previous follow-up attempts.

d. Fourth follow-up (accounts 91-120 days past due) shall be by letter, forwarded from the division director level, with their signature, to the client director.

10. Allowance for doubtful accounts. Guidance for the recognition of losses due to uncollectible amounts is provided by SFFAS 1, Accounting for Selected Assets and Liabilities, as follows.

a. An allowance must be set up for Federal customers. The loss percentages will be developed by BCE and BCF.

b. The allowance amount shall be estimated and adjusted in the receivable account on a quarterly basis. The estimate for uncollectible amounts is based primarily on an aging analysis of homogenous groups of accounts (bills) and individual accounts, when material in amount. Losses on receivables shall be recognized when it is likely the receivable amount will not be collected. Likely translates to a more than 50 percent chance of loss occurrence.

c. Analysis of aging of accounts will apply historically based loss percentages for the following age categories to estimate the allowance:

(1) Bills less than one year overdue;

(2) Bills one to two years overdue; and

(3) Bills over two years past due (note: According to OMB Circular A-129, non-Federal receivables over two years old shall be considered 100 percent uncollectible).

d. Homogenous groups of accounts, subject to the aging analysis, shall be grouped into bill types having similar characteristics with regards to the type of service rendered, customer category, billing and collection methodology, or other factors that would impact collections. Examples of such groupings could include Federal versus non-Federal customers, and disputed versus non disputed billings. An analysis need not be performed on any particular subgroup unless it would have a material effect on the estimate.

e. The allowance for estimated uncollectible amounts shall be recognized to reduce the gross amount of receivables to its net realizable value on a quarterly basis.

f. Losses due to uncollectible amounts shall be measured through a systematic methodology. The systematic methodology shall be based on analysis of both individual accounts and groups of similar accounts as a whole.

g. Write-offs must be made through the allowance account. Under no circumstances are debts written off directly to expense.

h. Federal allowance adjusting entries should be calculated and entered on the last two business days of each month. This allows the entries to be entered in current month activity as close as possible to the ending underlying receivable balances.

i. For Funds 299X and 255X, there will be no allowance for customer bills that are less than one year overdue. For customer bills that are one to two years overdue, a 50 percent allowance is established. For customer bills over two years old, a 100 percent allowance is established.

j. BCE and BCF will retain any analysis performed and make periodic refinements to percentages as conditions warrant, or as new information concerning a change in collection trends becomes available.

11. Reimbursable agreements in revolving funds. GSA is required to adhere to the following revolving funds guidance on reimbursable agreements. For management of revolving funds see GSA directive ADM 4200.2B, and the Anti-Deficiency Act 31, U.S.C. § 1341-1342, 1349-1351, and 1511-1519.

a. The Federal government uses revolving funds to finance the purchase of goods and services on an intragovernmental basis. The funds provided via the reimbursable agreement must adhere to the bona fide need rules set forth in 31 U.S.C. 1502.

b. Work performed under reimbursable agreements must be billed to the requesting agency with the document number, citation number and the billing address. Billing the customer agency will generate revenue via accounts receivable. The cost and billing should not exceed the amount of the reimbursable agreement. A modification shall be requested if costs are expected to exceed the reimbursable agreement. To reduce administrative burden and to allow for receipt of agreement modifications a minimum tolerance level exceeding the reimbursable agreement may be established by the SSO but cannot exceed \$500 or 10%, whichever is lower, on any one order. If a modification is obtained the value of the reimbursable agreement shall be adjusted. The cost and billing should represent the actual amount expended for the reimbursable agreement. Amounts that exceed the value of the reimbursable agreement shall be recorded as a liability or contingent liability.

c. Reimbursable agreements must meet the following criteria:

(1) The scope of the reimbursable agreement must be clearly and sufficiently detailed so that the bona fide need of the requesting agency is evident.

(2) Requirements outside the scope of the original reimbursable agreement cannot be supported through the reimbursable agreement.

(3) In the case of the inter-agency agreement such as the reimbursable agreement, all funding documents must represent a bona fide need that is within the scope of the agreement.

(4) Reimbursable agreements that are not in accordance with the above shall not be accepted from the customer agency until they are modified to meet the requirements.

PART 4. NEGATIVE RECEIVABLES

12. General. When GSA collects more money than was due, it creates a negative receivable amount and the overpayment shall be reclassified as a liability. GSA should properly account for negative receivables that result from overpayments received from other Federal agencies. The proper recognition of overpayments of accounts receivable is outlined in SFFAS 1, Paragraph 41.

a. Review and Reclassification: Once a negative receivable is identified, research must be conducted within 60 days to properly classify the negative receivable. The required actions within the 60 day period are as follows:

(1) Ensure collection was applied against the proper bill or claim.

(2) If the proper bill number was used, and research shows an overpayment exists, BCE and BCF should contact the customer to determine the proper disposition of the overpayment and make the correcting entries.

(3) The customer has the option to apply the collection against a different bill or claim number.

(4) If there is not another bill to offset, the collection must be returned to the customer as a refund.

b. The GSA must attempt to refund the overpayment to the customer twice, unless the dollar amount is under \$200. Additionally, if the customer requests a refund, then the request must be honored regardless of the amount.

(1) If two attempts have been made to refund the overpayment to the customer, and the customer refuses to accept the refund or allow any other bill to be offset with the credit, the money must be returned to Treasury as miscellaneous receipts.

(2) A review shall be conducted on a quarterly basis to verify that overpayments are returned to the customer or to Treasury within 60 days.

PART 5. REPORTING REQUIREMENTS OF INTRAGOVERNMENTAL TRANSACTIONS

13. General. The GSA must accurately report intragovernmental activity and balances with other Federal agencies. Intragovernmental transactions must be accounted for consistently by the selling and buying agencies. This includes recording and reporting intragovernmental transactions in the proper United States Standard General Ledger (USSGL) accounts. All USSGL accounts must be reported in accordance with the financial statement crosswalk provided in the Treasury Federal Intragovernmental Transactions Accounting Policies Guide, TFM, Volume 1, Part 2, Chapter 4700, Section 4706.

14. Intragovernmental Business Rules - Treasury Bulletin No. 2011-04. The rules apply to all intragovernmental exchange; specifically, transactions that entail the exchange of goods and services and transfers between Federal entities. Accordingly, these rules provide guidance for recording and reconciling intragovernmental transactions. For purposes of the rules, the requesting agency is a buyer, the providing agency is a seller, and collectively, they are trading partners. The business rules also specify that IPAC is the preferred method of payment between FPAs.

15. Advances from Federal entities. The official policy on accepting advance payments from Federal entities for goods and services provided is:

a. There will be no advance payments for goods and services, unless explicitly required by law; or approved by the PBS Office of the Assistant Commissioner for Budget and Financial Management, or the FAS Controller. Progress payments and periodic payments are permissible.

b. Advances are permitted for orders of goods and services that exceed \$1,000,000. The advance may not exceed 50 percent of the order amount. Unless explicitly required by law, there will be no advances for orders for goods or services that are less than \$1,000,000.

c. For advance payments that are permitted, the buyer will record the payment as an "advance to". The seller will record the payment as an "advance from" and will provide monthly status reports to the buyer reflecting revenue earned. The buyer and seller shall make appropriate adjustments to their respective advance accounts.

d. The buyer must record the advance payment as an asset and must liquidate the asset and record an expense upon receiving an invoice or other documentation showing that the goods or services were provided.

e. The seller must record the advance payment as a liability and must liquidate the liability and record revenue as progress is made on the order.

f. The PBS Office of the Assistant Commissioner for Budget and Financial Management, FAS Controller, and Deputy CFO must establish time restrictions for liquidating advances. Generally, all advances shall be liquidated within 180 days, unless there is a valid business reason for a longer period.

g. All advances must be reviewed and approved by management. The PBS Office of the Assistant Commissioner for Budget and Financial Management, FAS Controller and Deputy CFO are responsible for establishing approval levels for advances within their respective areas.

h. PBS Office of the Assistant Commissioner for Budget and Financial Management, FAS Controller and Deputy CFO are responsible for placing proper controls over transaction processing for advances as follows:

- (1) Create and distribute deferred income reports.
- (2) Track and manage advances uniquely. Use distinct coding and tie to distinct funding documents for easy identification.
- (3) Define who should review, report and correct amounts.
- (4) Reconcile transactions to the general ledger on a monthly basis.

(5) Conduct quarterly reviews to ensure proper accounting and reporting.

(6) Provide documentation to BC to support the establishment and drawdown of advances upon request.

CHAPTER 3. BILLING AND SERVICING NON-FEDERAL ACCOUNTS RECEIVABLE

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CHAPTER 3. BILLING AND SERVICING NON-FEDERAL ACCOUNTS RECEIVABLE

PART 1. POLICIES AND REQUIREMENTS

SECTION 1. BILLING, ADVANCE PAYMENT, AND FILING REQUIREMENTS

1. Background. Non-Federal receivables fall into two categories: (1) Those resulting from the sale of goods and services and (2) those arising from claims that GSA has a right to pursue.

2. Billing requirements and advance payment.

a. Billing. Non-Federal receivables owed to GSA by a person or entity are due 30 days from the date of the initial bill notification to the customer. Bills to non-Federal customers must specify the interest and penalties for late payment according to the terms of the contract, agreement, or applicable law or regulation.

(1) If the debtor does not pay the bill within 30 days, they must be informed in writing of their rights. This notification can be included with the billing. Any enclosure must be referenced either in the text of the billing or be brought to the attention of the reader by use of a hand stamp.

(2) Demands for payment shall be issued using a demand letter. Unless the debt instrument is a contract and the contract states otherwise, the law requires that interest, penalties, and administrative costs be accrued and charged as appropriate.

b. Advance payment. FPAs cannot incur obligations against customer orders received from non-Federal sources without 100 percent advance payment in accordance with OMB Circular A-11, unless specifically allowed by law. If actual costs exceed the amount of the advance, the customer will be billed for the difference. If costs are less than the advanced amount, GSA will refund the difference to the customer. Exceptions to the 100 percent advance payment rule are:

(1) Utilities (including telecommunications), concessions, and supply orders.

(2) SSO's shall collect one month payment in advance for orders that involve lease/rent arrangements with monthly payments.

3. Maintenance of debtor account files. Account files, whether maintained manually or by an information technology system, contain complete documentation of all actions taken concerning the account. The files must be kept in a manner to provide an audit trail to allow for proper review. It should be possible to ascertain at any time that the current balance of the account agrees with the relevant control account and that all applicable laws, regulations, and policies concerning account servicing have been followed. Any information that would be required by an auditor must be readily

available. The debtor files must be secured in accordance with the Privacy Act of 1974 (PL. 93-579 and 94-394), 5 USC 552(a).

SECTION 2. POLICIES CONCERNING REIMBURSABLE RECEIVABLES WITH THE PUBLIC

4. DCIA policies. DCIA requires all government contracts, invoices or agreements with the public to contain certain information and notices.

a. Refer to the following applicable citations for additional information on specific laws and regulations:

- (1) DCIA of 1996 (PL 104-134).
- (2) Privacy Act of 1974 (PL 93-579 and 94-394), 5 USC 552 (a).
- (3) Fair Credit Reporting Act of 1971, 15 USC 1681.
- (4) Collection and Compromise of Claims, 31 USC 3711.
- (5) Federal Acquisition Regulation, Contract Debt (48 CFR 32.6), Protests, Disputes and Appeals (48 CFR 33), Solicitation Provisions and Contract Clauses (48 CFR 52).
- (6) TFM, Volume, 1, Part 5, Deposit Regulations and Part 6, Other Fiscal Matters.
- (7) Treasury Guidance on Managing Federal Receivables.
- (8) GSA Regulations concerning collection of claims owed the United States (41 CFR 105-55 and 56), Processing Claims against Carriers (41 CFR 101-40.710) and Claims against Domestic Carriers (41 CFR 101-40.711-1).
- (9) CFO 4200.3A, Waivers of Claims for Overpayment of Travel, Transportation, and Relocation Expenses and Allowances.
- (10) OMB Circular A-129, Policies for Federal Credit Programs and Non-Tax Receivables.

5. BCE and BCF responsibilities.

a. BCE and BCF will maintain sufficient records for uncollected debt to support all accounting entries and official actions affecting accounts receivable. If the debt is collected, the supporting documentation should only be kept for six years and three months. Desk guides documenting proper procedures should be kept up-to-date and made available to auditors and reviewers as needed.

b. BCE and BCF should maintain open lines of communication with the SSOs and, where possible, with debtors to facilitate collection or dispute resolution. BCE and BCF are responsible for periodically reporting the status of accounts receivable to the SSOs and engaging them to participate in the collection process whenever appropriate.

SECTION 3. ACCOUNT SERVICING POLICIES FOR CLAIMS

6. General. The term non-Federal claim refers to any amount of money or property determined (by an appropriate agency official) to be owed to the United States from any person, organization, or entity except another Federal agency (see DCIA). Claims may be originated by BC or SSO. Claims against Federal employees may be collected by salary offset. Claims against GSA employees are referred to BCE. There is no minimum amount to establish a payroll claim against Federal employees. The minimum amount for a travel claim is \$25; all others \$100. Additionally, amounts from \$51 to \$100, with the exception of travel and payroll claims, should be written off after 30 days from the date the second demand letter was issued if no response is received.

If a claim is considered legally without merit and it is determined that the amount was never owed or was erroneously classified as a debt, then the claim shall be removed if it was previously reported as a delinquent debt. GSA will take aggressive and timely collection action to collect claims in accordance with the standards set forth in DCIA and 31 CFR 900-904.

7. Demands for payment on claims originating outside BC.

a. Only one demand letter is required in accordance with 31 CFR 901.2.

(1) The initial demand letter, sent by the program official or agent, must inform the debtor of his rights and must give any statutorily required notice. The demand letter must include:

- (a) Notice that the debt is due;
- (b) Amount of the debt;
- (c) Notice that the debt will be reported to a credit reporting bureau;
- (d) Description of actions the debtor may take to prevent further collection action (e.g., payment in full, entering a repayment agreement, or filing a formal dispute);
- (e) Debtor's rights; and
- (f) Name, telephone number, and email address of GSA contact.

(2) A copy of the initial demand letter will be sent to BCE or BCF and the debtor.

(3) Upon receipt of the demand letter and claim form BCE or BCF will establish positive control over servicing of the receivable by logging, documenting, and tracking all events affecting the debt. The claim is controlled by an 8-digit claim number as shown on the demand letter.

(4) In addition to the actions listed for non-Federal receivables, the office responsible for the claim may seek aid through GSA General Counsel and the DOJ when pursuing these accounts.

b. Second demand. A second demand letter may be sent if a formal dispute, collection or a written agreement to repay the debt is not made within 30 days of the initial demand letter. A second demand letter should be sent unless circumstances are such that a second letter would not benefit the collection process, e.g. the debtor has filed bankruptcy or the debt is referred to DOJ. The second demand will notify the debtor of added interest, penalty, and administrative costs.

c. Third (final) demand. A third and final demand letter may be sent if a formal dispute, collection, or a written agreement to repay the debt is not made within 30 days of the second demand letter. The final letter must advise the debtor that, if the claim remains unpaid, it will be sent to Treasury for collection.

d. Debtor rights. DCIA requires GSA to advise all non-Federal debtors that they have the right to verify, challenge and compromise claims, and access administrative appeal procedures.

e. Administrative Offsets. Disbursing officials conducting an administrative offset must notify the payee (debtor) in writing of the following:

(1) That administrative offset is being used to satisfy a past due, legally enforceable debt. This notice shall include a description of the type and amount of payment that is being offset;

(2) That GSA is requesting the offset; and

(3) Identify the point of contact within GSA that will handle any questions regarding the offset.

f. Referral to DMS. Prior to referral to Treasury DMS, the debtor must be informed of the debt and the possibility of:

(1) Offsets, including tax refunds and salary;

(2) Referral to a Private Collection Agency;

(3) Referral to DOJ or GSA General Counsel; and

(4) Reporting the debt to a credit bureau.

g. If the debt has been discharged and is \$600 or more, it will be reported to the Internal Revenue Service (IRS) as income on IRS form 1099-C. The debtor must also be provided the opportunity to:

- (1) Inspect records of the debt;
- (2) Review the records with GSA; and
- (3) Enter into a repayment agreement.

8. Account servicing for state and local government and similar receivables.

a. General. Billings to state and local governments and certain other organizations (including the District of Columbia, the Federal Reserve Board, Army/Air Force Exchanges, and local and public agencies that are not general purpose units of local government) are considered non-Federal accounts which must be paid in advance or within 30 days for an adjusted bill.

b. Follow-up on delinquent accounts receivables. Follow-up action on delinquent accounts receivable for state and local governments and others mentioned in this paragraph must be in accordance with non-Federal receivables policy and shall be referred to Treasury for offset.

PART 2. LATE PAYMENTS, BANKRUPTCY, AND CREDIT REPORTING

SECTION 1. LATE PAYMENT CHARGES

9. General. DCIA authorizes agencies to charge interest, penalties, and administrative costs against delinquent non-Federal debtors, including state and local governments. A written notice to the debtor must be mailed explaining GSA requirements concerning late charges before assessing them. The notice must inform the debtor of their rights pertaining to the debt. The minimum amount to charge interest, penalty and administrative fees is \$50.

10. Interest. Interest should be charged on the principal amount due, accrued from the date of the initial invoice or demand letter, unless payment is received by the due date specified in the invoice or demand letter, or unless payment is received within 30 days. In the case of an advanced billing, interest should be charged on the principal amount due from the date that the debt is actually owed. Unless an existing contract prohibits the charging of interest or provides other interest rate terms, (as in contracts that fall under the Contracts Disputes Act of 1978), GSA will charge simple interest. Use the current value of funds rate as provided in Section 11 of DCIA. Compute interest as follows: $\text{Interest} = \text{Principal} \times \text{Rate} \times \text{days outstanding}/360$.

a. **Current value rate.** The current value rate is published annually in the Federal Register and quarterly in TFM bulletin. The rate of interest, as initially assessed, is generally fixed for the duration of the indebtedness. However, when a debtor defaults on a repayment agreement and seeks to enter into a new agreement, GSA may set a new interest rate.

b. **Re-negotiation board rate.** The interest rate used for contracts that fall under the Contracts Disputes Act is normally the renegotiation board rate.

If the claim is for other than nonperformance of contract terms, the current value of funds rate shall be used. When applied to a delinquent debt, the renegotiation board rate does not remain fixed, but rather changes with the semi-annual published rate. A delinquent debt outstanding for over 12 months might have interest charged at two or more different rates.

11. **Penalty.** Charge a penalty of six percent a year, accrued from the day following the due date specified in the invoice or initial demand letter, on any portion of a debt remaining delinquent after 30 days.

12. **Administrative costs.** Charge the costs associated with carrying and collecting delinquent accounts. These costs include, but are not limited to, the following:

a. Monthly charge of \$10 for every month the debt remains outstanding after the due date; and

b. Cost of a credit report, if ordered.

Note: Treasury fee is collected prior to submission of the funds to GSA.

13. **Calculating late payment charges.** Calculate and accrue interest beginning with the date on which first notice of the debt and late payment requirements are mailed to the debtor. For a debt under a contractual agreement, calculate and accrue interest beginning with the date specified in the contract. Calculate and accrue penalties from the day after the due date shown on the demand letter or invoice. Daily administrative accruals to month-end are not required. Administrative costs shall be added each month starting on the day the debt becomes past due.

14. **Recording late payment charges.** Interest and penalty charges shall be added to delinquent non-Federal accounts. Due to the large number of claims processed, it may be beneficial to group the late payment charges according to type and record one entry per type in the accounting system. A clear audit trail for the supporting documentation must be available for each type of claim. At a minimum, record these charges in the accounting system when submitted to Treasury for cross-servicing, when collected, and before the end of the fiscal year.

a. Do not record late payment interest in the accounting system when a claim is in dispute, in bankruptcy, or has been referred to DOJ. If the claim is found to be valid, the charges shall be applied retroactively to the date of the claim.

b. General ledger entries must be made for charging and collecting interest, penalty and administrative costs. Credit all receipts for late payment charges due the Consumer Information Fund (105X) or the Other Receipts Surplus Real and Related Personal Property Fund (0952) as appropriate. Credit receipts for all other late charges to Miscellaneous Receipts, using fund 0230 for interest, fund 0890 for administrative costs and fund 0190 for penalty charges.

15. Application of payments. Apply payments made by the debtor on a delinquent debt first to administrative cost, second to penalties, third to interest, and fourth to principal, unless late payment charges have been waived.

SECTION 2. BANKRUPTCY

16. Types of bankruptcy proceedings. Since the majority of bankruptcies that concern GSA fall under Chapter 7 (Liquidations), Chapter 11 (Reorganizations) or Chapter 13 (Consumer Debt Adjustments) of the Bankruptcy Act, these are the only areas of the Bankruptcy Act that will be discussed.

a. Liquidation (Chapter 7). A liquidation proceeding, traditionally called straight bankruptcy, is brought under Chapter 7 of the Bankruptcy Act. The debtor must disclose all of the property he owns (the bankruptcy estate) and surrender it to the bankruptcy trustee. The trustee distinguishes certain property that the debtor is permitted to keep and then administers, liquidates, and distributes the remainder of the bankrupt debtor's estate. Generally, excluding cases that are dismissed or converted, individual debtors receive a discharge in Chapter 7 cases.

b. Reorganization (Chapter 11). Chapter 11 of the Bankruptcy Act is used to allow a business, under the supervision of a Federal court, to establish a plan that will assist in solving its financial problems. A reorganization plan is essentially a contract between the debtor organization and its creditors. The proceeding is intended for debtors, particularly businesses, whose financial problems may be solvable if they are given time, guidance, and alleviation of pressure from creditors. Under unusual circumstances, an individual may file for bankruptcy under Chapter 11.

c. Consumer debt adjustment (Chapter 13). Chapter 13 of the Bankruptcy Act offers a special procedure for individuals earning a regular income but having financial difficulty. The individual develops a plan under court supervision to satisfy creditors. The plan may involve compromises (reductions) of debts and/or extensions of time to pay debts out of the debtor's future earnings.

17. Petitions. All bankruptcy proceedings begin with the filing of a petition. The filing of a petition operates as an automatic stay (holds in abeyance creditor action against a

debtor or his property). The automatic stay prevents creditors from collecting any funds from the debtor in accordance with 11 U.S.C § 362, 1201, and 1301. Violations of the automatic stay require that the property be returned to the bankruptcy estate.

18. Notification of a bankruptcy. In accordance with the GSA Acquisition Manual (GSAM), Subpart 542.9, when GSA has been notified that a debtor is involved in bankruptcy proceedings, that employee must immediately advise the contracting officer (CO). If the outstanding debt is not under the Contract Disputes Act, then General Counsel must be advised and the following steps taken:

a. Bankruptcy notification shall be recorded in the client record. Claims in bankruptcy status are not covered by DCIA and are not eligible to be sent to Treasury for cross-servicing.

b. In coordination with the CO and/or General Counsel, BCE and BCF must retain any amounts due the debtor that were earned before the date the petition in bankruptcy was filed and that are available for application to the debt. Any amount in excess of that required to satisfy known government debts should be paid to the receiver, trustee or assignee, as appropriate.

c. All outstanding claims shall be forwarded to the servicing General Counsel office to prepare and file a proof of claim itself, or collaborate with the CO and General Counsel to prepare the proof of claim.

d. Bankruptcy claims shall not be written off until the bankruptcy court issues a final decision on the bankruptcy and the GSA claims are listed with the debts discharged by the bankruptcy.

19. Referral of bankruptcy debts to DOJ. Debt claims involving bankruptcies (other than Chapter 7 bankruptcies, if approved by the court) are referred to DOJ through the GSA General Counsel.

a. Generally, GSA does not refer debts that are less than \$2,500 to DOJ. However, a series of smaller debts involving the same debtor and aggregating \$2,500 or more must be referred. Also, if the facts and circumstances in a particular case warrant filing a proof of claim (e.g., if petition is filed under Chapters 10, 11, or 13 of the Bankruptcy Act), debts less than \$2,500 may be referred to DOJ.

b. When the information of record indicates that there will be no assets for distribution to creditors at the present level of government claims, do not refer the debt.

c. Write off any debts when collection action by DOJ has been completed or when referral to DOJ has been determined to be inappropriate (e.g., when the debtor has no assets for distribution - Chapter 7 of the Bankruptcy Act).

d. Send amounts referred to DOJ through GSA General Counsel, along with a completed Claims Collection Litigation Reports (CCLR), 31 CFR 904.2.

e. Follow-up at least quarterly with the CO and/or General Counsel on the status of debts involving bankruptcy that have been referred to DOJ.

20. Requirements where debts have been referred to Treasury. If a debtor has filed for bankruptcy, Treasury will notify BCE and BCF. BCE and BCF must record the bankruptcy information in the accounts receivable system.

PART 3. REFERRALS, COLLECTION OPTIONS, AND WRITE-OFFS

SECTION 1. REFERRAL TO OTHER GOVERNMENT AGENCIES

21. Prompt referral. Agencies must promptly refer to DOJ for any debt on which aggressive collection activity has been taken and that cannot be compromised or on which collection activity cannot be suspended or terminated. Debts for which the principal amount is over \$1,000,000, or such other amount as the Attorney General may direct, exclusive of interest and penalties, shall be referred to the Civil Division or other division responsible for litigating such debts at DOJ. Debts for which the principal amount is \$1,000,000, or less, or such other amount as the Attorney General may direct, exclusive of interest or penalties shall be referred to the DOJ Nationwide Central Intake Facility. Agencies must make every effort to refer delinquent debts to DOJ for litigation within one year of the date such debts last became delinquent.

22. CCLR. Unless authorized by DOJ, agencies must complete the CCLR, accompanied by a signed Certificate of Indebtedness, to refer all administratively uncollectible claims to DOJ. Agencies also must use the CCLR to refer claims to DOJ to obtain approval of any proposals to compromise the claims or to suspend or terminate agency collection activity.

23. Preservation of evidence. GSA must take care to preserve all files and records that may be needed by DOJ to prove their claims in court. GSA ordinarily shall include certified copies of the documents that form the basis for the claim in the package referred to DOJ for litigation. GSA must provide originals of such documents immediately upon request by DOJ.

SECTION 2. COLLECTION OPTIONS

24. GSA Administrative offset.

a. GSA may collect debts by offset against amounts due from the government to the debtor. Normally, offset is not initiated unless payment has not been received within 30 days of the date the initial billing was mailed or delivered. In accordance with 41 CFR 101-40.711-1, for freight loss/damage claims, GSA allows carriers a 120-day

period to either pay or resolve any disputes before offset is used. Collection by administrative offset is not appropriate when:

- (1) Debtor has ceased doing business and there is no known or potential obligation payable by any agency of the United States government to the debtor;
- (2) Debt in question is over 10 years old;
- (3) Debtor has gone into receivership and has liquidated all of its assets;
- (4) Debtor has filed a petition in bankruptcy (Chapter 7 or 13) as a no-asset debtor or there is no likelihood of the debtor resuming operations;
- (5) Debtor is deceased and the estate owns no attachable assets;
- (6) Circumstances indicate that collection by administrative offset is unlikely; or
- (7) Collection of amounts due by recoupment is permitted outside of the bankruptcy rules.

b. If proper notification is given to the debtor at the time of billing (or 30 days after the initial demand notification in the case of a delinquent account under a contract agreement), BCE and BCF must attempt to offset the claim. The offset must include any additional amounts due for interest, penalties and administrative costs related to the claim.

c. When notice of an appeal has been received, all collection follow-up activity must be suspended until the appeal is resolved.

d. BCE and BCF must forward claims for freight loss/damage to the FAS once it appears offset is unlikely. They should also continue to pursue offsets simultaneously and should issue a second and third demand letter. If offset is made, the appropriate office must be notified.

e. When a claim is offset against an account payable, an email notification must be forwarded to the Accounts Receivable Group.

25. Installment repayment schedules.

a. Unless other authorized arrangements have been made, any installment agreement offered by a debtor to GSA must be in writing. Do not rely on oral statements from the debtor alone {see 41 CFR 105.55.004(8) and 105.55.006(b)}.

b. The debtor shall execute a promissory note, reviewed by General Counsel, which gives GSA the right to seek a judgment against the maker if the note is not paid when due. The note shall specify all terms of the arrangement, contain a provision

accelerating the debt if the debtor defaults, and include the debtor's Taxpayer Identification Number (TIN). The debtor must be provided with a written explanation of the consequences of signing the note and must sign a statement acknowledging receipt of the written explanation. The statement must contain language that it was read and understood before execution of the note, and the note is signed knowingly and voluntarily. This statement must be maintained in the accounts receivable file on the debtor. Upon receipt of the signed note and statement, the debt shall be transferred to notes receivable.

c. Size and frequency of installment payments must bear a reasonable relation to the size of the debt and the debtor's ability to pay. Repayments should liquidate the debt (except specified mortgages) within three years. BC has the authority to establish installment plans that offer a reasonable amount of time for repayment beyond the three years. The CO shall have input regarding repayment terms, when the claim originates due to damages caused by the contractor. Installment payments of less than \$100 per month, or in amounts which would extend collection of the debt for more than three years, shall not be accepted unless justified on the grounds of financial hardship or some other reasonable basis. Interest, penalties, and administrative charges must be assessed in accordance with 41 CFR 105.55 and provided for in the promissory note.

The borrowing rate selected shall take into account the duration of the scheduled repayment. To calculate interest, use Treasury current value rate on debt amounts scheduled to be repaid in one year or less. For amounts scheduled to be repaid in more than one year, use the higher of the current value rate or the borrowing rate of a Treasury debt instrument for a period similar to the amortization period used in the repayment agreement.

d. If a payment schedule has been established for payment of debt, a payment schedule log/amortization schedule or similar record must be maintained in the claim file. The principal balance on the payment schedule log/amortization schedule shall be the same as that reflected on the miscellaneous accounts receivable subsidiary ledger.

e. When a debtor defaults on a repayment agreement and enters into a new agreement, late charges that accrued but were not collected under the defaulted agreement must be added to the principal to be paid under the new agreement (see 41 CFR 105.55).

f. GSA must maintain records of the rescheduled amounts and should report such amounts on the Treasury Report On Receivables (TROR).

g. Oral agreements are not enforceable; therefore, BC personnel may not enter into an oral installment agreement.

h. BC personnel may, where it is in the best interests of the government, accept partial payments from debtors prior to the signing of a written agreement. Debtors shall

be informed that, as long as there is no written installment agreement, the government retains the right to demand immediate payment of the total debt.

26. Adjusting and settling debts. Absent statutory authority, GSA has no authority to waive contractual rights that have accrued, or to modify existing contracts to its detriment, without legal consideration or a compensating benefit (GAO Letter B-276550, December 15, 1997). This practice of discharging a debt for less than the outstanding balance without any compensating benefit is commonly referred to as compromising debts (31 CFR parts 902.2). GSA has the right to adjust and settle debts under \$100,000. This means GSA has the right to restructure credit offerings by adjusting the terms of any credit offered (e.g., extending the repayment period, or waiving interest, penalties, and administrative costs, etc.).

SECTION 3. WRITE-OFF OF NON-FEDERAL ACCOUNTS AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

27. Authorization for write-off. Federal Claims Collection Standards (31 CFR 900-904) and OMB Circular A-129, Managing Federal Credit Programs, dated November 2000, authorize write-offs only for the following reasons.

a. Inability to collect any substantial amount of the debt because:

(1) Judgment has been obtained and the application of all collection techniques failed to produce full collection;

(2) Treasury DMS has been unable to collect the debt and has returned it with sufficient documentation to demonstrate the debt is not collectible; or

(3) Debtor has declared bankruptcy and no further prospects for worthwhile recovery are available.

b. Inability to locate either the debtor or assets that can be liquidated to pay the debt.

c. Federal statute of limitations has expired for litigation (six years) and the statutes of the State in which the debtor resides preclude further collection.

d. Statute of limitations for a third party accident claim (three years) has expired.

e. Collection cost will exceed recovery amount.

f. Claim cannot be substantiated due to lack of evidence or GSA cannot produce evidence or witnesses to validate a claim and efforts to induce voluntary payment are unsuccessful (such debt cannot be referred to IRS as taxable income). The credit reporting agency must be notified to reflect the change in status of the claim if it was previously reported as delinquent.

g. The account is delinquent more than two years with no activity.

28. Write-off limitations.

a. In accordance with Treasury Managing Federal Receivables guidelines, write-off of a debt is defined as an accounting action that results in reporting the debt/receivable as having no value on GSA financial and management reports. In those cases where material collections can be documented to occur after two years, debt cannot be written off until the estimated collection becomes immaterial. Therefore, cost effective collection efforts should continue.

b. A write-off request along with a copy of all supporting documentation shall be forwarded to the appropriate individual for write-off approval. Accounts receivable are eligible for write-off after 30 days at the statement level. Monetary levels for write-off approval are:

(1) Amounts under \$50 should be written off after 30 days delinquency.

(2) Amounts from \$51 to \$100 should be written off after 30 days from the date the second demand letter was issued, if no response is received.

(3) Unit accountant or team leader has the authority to write-off up to \$1,000.

(4) Supervisor has the authority to write-off amounts up to \$10,000.

(5) Branch Chief has the authority to write-off amounts up to \$50,000.

(6) BCE and BCF Directors have the authority to write-off amounts under \$100,000.

(7) Write-off requests for amounts of \$100,000 or more must be forwarded to BC. Write-off amounts above \$100,000 must be referred to DOJ through the appropriate General Counsel or Regional Counsel for advisory opinion, litigation, or other collection action, as appropriate, 31 U.S.C. 3711; 31 CFR 903.1. DOJ approval is not required if GSA is only adjusting its accounting records. FAR, 48 C.F.R 32.610, Compromising Debts, states: "for debts under \$100,000, excluding interest, the designated agency official may compromise the debt pursuant to the Federal Claims Collection Standards (31 CFR part 902) and agency regulations. Unless specifically authorized by agency procedures, contracting officers cannot compromise debts".

c. Once a write-off is approved, it must be recorded. Additionally, the write-off file must include a copy of all related documentation (e.g., reason for write-off, accounting entry, demand letters, etc).

d. Once the debt is written off, the account must be classified as either one of the following:

(1) Currently Not Collectible (CNC). When GSA refers debts to DMS for cross-servicing, it should take concurrent actions to terminate collection action, write-off the debt and classify it as CNC when: GSA is notified by FMS that active collection action is no longer being taken through cross-servicing and the debt will remain in Treasury Offset Program (TOP). CNC classification does not affect GSA's statutory and regulatory responsibilities to pursue future debt collection. The CNC debt should be recorded in GSA SGL 9030 and 9040 memo account.

(2) Closeout. GSA will not take any collection action after the closeout process. Closed accounts must be removed from GSA books (memo account), and the account shall also be closed at FMS.

29. Reporting a write-off as income to the Internal Revenue Service (IRS) 1099-C.

a. GSA must report debts written off to the IRS. Amounts of \$600 or more must be reported on Form 1099-C, Cancellation of Debt.

b. Amount reported shall include the principal, interest, penalty and administrative costs.

c. Amounts discharged in bankruptcy shall not be reported but must be documented in the debtor's file.

d. In cases other than Chapter 11 bankruptcy, do not report amounts written off to the extent that the debtor is insolvent (e.g., liabilities exceed assets).

e. GSA must provide the debtor with a copy of Form 1099-C. Additionally, GSA must send the 1099-C to the IRS by February 28 of each calendar year.

f. Debts written off and reported as income to the IRS using Form 1099-C cannot be referred to FMS for offset.

g. GSA can temporarily delegate to Treasury 1099-C requirements for reporting write-offs as income (per profile agreement with Treasury). Treasury will send GSA, a copy of the proposed Form 1099-C each year, based on the amounts determined to be uncollectible. GSA will review and approve the individual proposed 1099-C. Treasury will mail the approved 1099-C to the debtor.

30. Allowance for doubtful accounts.

a. In accordance with SFFAS 1, Accounting for Selected Assets and Liabilities, an allowance for doubtful accounts is to be established to reduce the gross amount of accounts receivable to its net realizable value. The allowance amount represents an

estimate of the dollar amount of receivables that are uncollectable. Losses are recognized when it is more likely than not that the receivable will not be collected. The phrase more likely than not means more than 50 percent chance of a loss occurrence. As required by OMB Circular A-129, Policies for Federal Credit Programs and Non-Tax Receivables, all write-offs must be made through the allowance account; under no circumstances are debts to be written off directly to expense.

b. Allowance amount is to be estimated and adjusted in the accounts on a quarterly basis by BC, accounts receivable support staff.

c. Aging analysis will apply historically based loss percentages for the following age categories to estimate the allowance:

(1) Bills less than one year overdue;

(2) Bills one to two years overdue; and

(3) Bills over two years due (Note: According to OMB Circular A-129, non-Federal receivables over two years old shall be considered 100 percent uncollectible).

BC will retain this analysis and make periodic adjustments to the percentages as conditions warrant or new information concerning a change in collection trends become available.

d. Homogenous groups of accounts which are subject to the aging analysis shall be grouped into bill types having similar characteristics as regards to type of service rendered, customer category, billing and collection methodology, or other factors that would impact collections. The estimate for uncollectible amounts is to be based primarily on an aging analysis of homogenous groups of accounts (bills) and individual accounts when material in amount. Examples of such groupings could include Federal versus non-Federal customers and disputed versus non-disputed billings. An analysis need not be performed on any particular subgroup unless it would have a material effect on the estimate.

SECTION 4. WAIVER OF CLAIMS FOR OVERPAYMENT OF PAY AND ALLOWANCES

31. Background.

a. 5 U.S.C. § 5584 authorizes the waiver of claims by the United States in whole or in part against an employee arising out of erroneous payments of pay and allowances, travel, transportation, and relocation expenses and allowances. A waiver may be considered when collection of the claim would be against equity and good conscience and not in the best interest of the United States provided that there does not exist, in connection with the claim, an indication of fraud, misrepresentation, fault, or lack of good faith on the part of the employee or any other person having an interest in

obtaining a waiver of the claim.

b. A request for a waiver of a claim shall not affect an employee's opportunity under 5 U.S.C. § 5514(a) (2) (D) for a hearing on the determination of GSA concerning the existence or the amount of the debt, or the terms of the repayment schedule. A request by an employee for a hearing under 5 U.S.C. § 5514(a) (2) (D) shall not affect an employee's right to request a waiver of the claim. The determination whether to waive a claim may be made at the discretion of the deciding official either before or after a final decision is rendered on the claim.

32. References.

- a. 5 U.S.C. § 5514, Installment Deduction for Indebtedness to the United States.
- b. 5 U.S.C. § 5581, Definitions.
- c. 5 U.S.C. § 5584, Claims for Overpayment of Pay and Allowances, and of Travel, Transportation and Relocation Expenses and Allowances.
- d. GAO Act of 1996, PL 104-316, October 19, 1996.
- e. OMB memorandum, Determination with Respect to Transfer of Functions Pursuant to PL 104-316, December 17, 1996.
- f. GAO regulatory action (65FR33737, May 25, 2000) to remove its § 5584 waiver regulations formerly found in 4 CFR part 91-92.
- g. 31 U.S.C. § 3711, Collection and Compromise.
- h. 31 U.S.C. § 3716, Administrative Offset.
- i. 5 CFR. Part 550, subpart K, Collection by Offset from Indebted government Employees."
- j. 31 CFR Chapter IX, Parts 900 – 904, Federal Claims Collection Standards.
- k. 41 CFR. Part 105-56, Salary Offset for Indebtedness of GSA Employees to the United States.
- l. 41 CFR. Part 105-55, Collection of Claims Owed the United States.
- m. GSA Order, CFO 5450.1, CFO Delegations of Authority.
- n. GSA Order, CFO 5450.39c, GSA Delegations of Authority Manual.

33. Definitions.

a. Pay. Pay means basic pay, special pay, incentive pay, retained pay, or in the case of an individual not entitled to basic pay, other authorized pay. Pay does not include travel expenses or expenses to transport household goods.

b. Allowances. Allowances refer to payments made for subsistence, quarters, uniforms, family separate maintenance allowances, and overseas station allowances. Allowance does not include travel expenses or expenses to transport household goods.

c. Debt. For the purposes of this policy, the terms "debt" and "claim" are synonymous and interchangeable. A debt is any amount of money, funds or property that has been determined by an appropriate official of the Federal government owed the United States by a person, organization, or entity, except another Federal agency.

d. Waiver. For purposes of debt management, waiver means the cancellation, remission, forgiveness, or non-recovery of a debt owed by an employee to a Federal agency.

e. Fault. Fault exists if, in light of all the circumstances, it is determined that the employee knew, or should have known, that an error existed, but failed to take action to have it corrected. Fault can be derived from an act or a failure to act. Unlike fraud, fault does not require a deliberate intent to deceive. Whether an employee should have known about an error in earnings is determined from the perspective of a reasonable person.

34. Applicability. This policy addresses erroneous payment of pay or allowances to GSA employees. The policy does not affect authority to litigate, settle, compromise, or waive any claim of the United States under any other statute. Ordinarily, a legal and proper payment may not be considered for waiver; although owing to later circumstances, the individual may have to repay all or part of the overpayment. Examples of legal and proper payments, not subject to waiver consideration, include:

a. Advanced annual or sick leave unearned at the time of separation.

b. Advanced uniform allowances not earned at the time of separation or upon transfer from the work unit that required the uniforms.

c. Voluntary Separation Incentive Program (VSIP) repayment if the employee returns to Federal government service.

d. Federal Employee Health Benefits (FEHB) insurance premium payments made on behalf of the employee while in an extended period of Leave without pay (LWOP) and when an employee has elected, in writing, to continue FEHB coverage while on LWOP.

e. Lump sum leave payments that must be refunded if the person is re-employed in

Federal service prior to expiration of the period of annual leave related to the lump-sum leave period.

35. Delegation of authority.

a. The Administrator of GSA has designated the Chief Financial Officer (CFO), to waive, in whole or in part, claims of the United States against GSA employees for erroneous payment of pay and allowances. Unresolved claims are referred to the Office of General Counsel.

b. Authority has been further delegated to the Director, BCE to waive or deny claims for overpayments of pay or allowances in any amount.

36. Responsibilities (listed in chronological order).

a. Employee. An employee must request a waiver within three years of the date the error was discovered by GSA. The National Payroll Branch (NPB) is the responsible debt area for active employees. The BCE debt collection team is the responsible debt area for separated employees. Active employee requests shall be sent to the NPB and separated employee requests shall be sent to the BCE debt collection team. The BCE debt collection team will forward a courtesy copy of the separated employee's request to the NPB.

Employees requesting a waiver shall include the following in their request:

- (1) Written and signed waiver request;
 - (2) Chronology of events surrounding the erroneous payments;
 - (3) State who the employee contacted upon discovery of the erroneous payment;
- and
- (4) Copies of documents or correspondences that support the employee's request for waiver, such as emails, copies of Notices of Personnel Actions (SF-50), copies of earnings and leave statements, etc.

b. Responsible Debt Area. Upon receipt of the employee's waiver request, the responsible debt area will forward a copy of the request to the NPB to initiate a Report of Investigation of Claim for Waiver of Erroneous Payment of Pay and Allowances (GSA Form 2578).

(1) The responsible debt area will maintain a tracking log of waiver requests received by their office, including follow up dates with Human Resources.

(2) Upon the receipt of the waiver decision, the responsible debt area will inform the employee, the Office of the Chief People Officer (OCPO) Consolidated Processing

Center (CPC), and their servicing Human Resources (HR) Branch, of the waiver decision in writing (copy of employee notification letter and copy of completed waiver investigation package.) If the waiver of claim is granted, then the appropriate branch will refund promptly all monies collected from the employee. If the waiver is partially granted, then the amount of collection in excess of the amount denied will be refunded to the employee. The employee is not required to request a refund.

c. NPB. For all waiver requests, the NPB begins the investigation process by completing the administrative portion of the GSA Form 2578 (items 1 through 4) and the "listing of Erroneous Payments and Collections" found on the back of the GSA Form 2578. The NPB is responsible for the following:

(1) For claims resulting from a timekeeper or payroll processing error, conduct a review of the waiver request, complete the "Waiver Considerations" portion of the GSA Form 2578 (items 5 through 12), attach supporting payroll documents or correspondence. Prepare a statement of findings or explanation of conclusions supporting the Report of Investigation of Claim for Waiver form (GSA Form 2578).

(2) For claims resulting from an OCPO error, send the waiver investigation package to the OCPO CPC for further investigation.

(3) Forward all original copies of the waiver investigation package to Payroll Policy, NPB, for final waiver investigation.

d. OCPO. For claims resulting from an OCPO error, the OCPO CPC is responsible for the following:

(1) Upon receiving a waiver request package from BCE conduct a review of the waiver request, complete the "Waiver Considerations" portion of the GSA Form 2578 (items 5 through 12) and provide copies of supporting personnel documents or correspondence. Prepare a statement of findings or explanation of conclusions supporting the Report of Investigation of Claim for Waiver form (GSA Form 2578).

(2) Forward the Waiver Request package to the NPB.

e. Payroll Policy. Payroll Policy is responsible for the following:

(1) Review each Report of Investigation package, GSA Form 2578 and supporting documents, to ensure the file contains facts supporting the recommendation or the final decision. Payroll Policy shall compile additional information if necessary to support their recommendation.

(2) Prepare a narrative summary of the case including a recommendation to the BCE Director, to approve or deny the waiver request.

(3) Action is completed when the BCE Director signs the request with his/her

decision to approve or deny, in whole or in part, the waiver request.

(4) Upon receiving the final decision from the BCE Director Payroll Policy will send written notice to the NPB for current employees and Financial Information Control Branch for former employees, stating whether the waiver was approved or denied.

(5) Payroll Policy shall maintain a register to show the disposition of each claim or overpayment. The register and supporting case files shall be available for review as requested. Upon request, the NPB shall provide a report showing the previous fiscal year's number of requests granted, denied, or waived in whole or in part by GSA, the dollar amount for each category, the number of cases, and the amount refunded because of waivers by GSA.

37. Collection activity. On a case-by-case basis and at their discretion, the NPB for active employees, or the Financial Information Control Branch for separated employees, may suspend collection on a claim. If the NPB believes that the request for waiver appears to be frivolous or was made primarily to delay collection, then the involuntary collection of the claim by salary offset shall not be suspended.

38. Refund of overpayment collected. GSA will refund promptly to the appropriate individual amounts collected from the employee whenever:

a. A debt is waived or otherwise found not owing the United States (unless expressly prohibited by statute or regulation); or

b. GSA is directed, by an administrative or judicial order, to refund amounts deducted from the employee's current pay.

39. Appeals. An employee may request an appeal of a waiver investigation decision. Any request for appeal shall be sent to BCE Payroll Policy and include any new information relevant to the appeal. However, such a submission does not defer the obligation to repay the debt. The BCE Director will review the appeal request, prepare a summary and forward to the CFO, through the Deputy CFO, for final decision.

40. Referral of claim for collection or litigation. A claim to recover an erroneous payment shall not be referred to the Attorney General for litigation until it has been considered for waiver, unless, after consultation with the Office of General Counsel, it is determined that the time remaining for legal action does not permit a waiver to be considered.

41. Forms. This policy provides for the use of the GSA Form 2578, Report of Investigation of Claim for Waiver of Erroneous Payment of Pay and Allowances (5 U.S.C. 5584). The GSA Form 2578 is available through the GSA Document Library at www.gsa.gov/forms. All previous versions are obsolete.

42. Tax Reporting. In the event a waiver request is approved, BCE will notify the

Internal Revenue Service (IRS) of the cancellation of the claim on an IRS Form 1099-C, Cancellation of Claim. For active employees, the NPB will prepare the Form 1099-C. For separated employees, the Financial Information Control Branch will prepare the Form 1099-C. The amount of the waiver may be taxable in the tax year it is approved.

43. Instructions and Attachment. Detailed instructions for preparing the GSA Form 2578 are as follows:

- a. Item 1, Report Date. Enter the date the report was initiated by the GSA NPB.
- b. Action by originating office. The NPB is responsible for completing Items 2 through 4 of GSA Form 2578 as follows:
 - (1) Item 2, Central Office or Region Number. Self-explanatory.
 - (2) Item 3, Employee's name and SSN. Enter the name and the Social Security Number (SSN) of the employee to whom the overpayment was made. A waiver may be given only to a civilian employee or former employee, as defined in 5 U.S.C. 5581, who is or was employed by an executive agency, as defined in 5 U.S.C. 105.
 - (3) Item 4a, Date(s). Enter only the pay periods (to and from dates) for which the erroneous payments were made.
 - (4) Item 4b, Date of Discovery. Enter the date the error was discovered. This is the earliest date that the error became known, regardless of who made the discovery. The date of the discovery shall be the date the suspected error was confirmed, if the date is later than the date of the employee's original inquiry. However, show the date of the discovery and the date the error was confirmed in the investigative report.
 - (5) Item 4c, Gross Amount. Enter the gross amount of the overpayment of pay or allowances; include any amounts collected from the employee.
 - (6) Listing of Erroneous Payments. On the reverse side of GSA Form 2578, indicate the exact date an overpayment was made, the amount of each erroneous payment, and the correct payment amount. In addition, list the dates and amounts of any overpayment collected from the employee. This information must be completed by the NPB before it is forwarded to the investigating office.
- c. Actions by investigating office. Complete the checklist of waiver considerations (items 5 through 12). Questions bearing on the eligibility of claim for waiver are listed under this heading. Boxes to be checked are arranged in two columns to facilitate evaluating the claim for waiver. A check in any one of the boxes in "Column B" may indicate ineligibility of the claim. Items 7 through 12 require supporting statements of findings or explanations of conclusions attached to the GSA Form 2578. Supporting data should be identified by the attachment number listed on the GSA Form 2578.

Supporting statements may be in the form of a summary of pertinent data or individual pieces of correspondence that may answer one or more questions. If the data are included as part of a lengthy or otherwise unrelated document, the pertinent information should be extracted. Complete items 5 through 15 as follows:

(1) Items 5 and 6. Self-explanatory.

(2) Item 7. Was overpayment the result of administrative error? Finding the overpayment resulted from an administrative error is one of the conditions for a waiver. An administrative error occurs when GSA fails to carry out written administrative policy of a nondiscretionary nature or fails to comply with mandatory regulations. This includes, but is not limited to, misinterpreting policies or regulations causing, among other things, incorrect grade/step salary rates to be established upon employment, promotion, or demotion; time reporting errors relating to leave, hours of work, overtime, or pay differential; or manual, computer transcription, or processing errors. The attachment must describe how the error occurred and how it was discovered.

(3) Item 8. Has action been initiated to preclude this type of error in the future? The attachment should describe what positive action was taken to avoid a similar error.

(4) Item 9. Is there any evidence of fraud, misrepresentation, fault, or lack of good faith on the part of the employee or other person having an interest in this claim? A statement of findings is required.

(5) Item 10. Could employee have been reasonably expected to suspect an error in his pay or allowance? The employee is responsible for resolving the matter if there is a noticeable, unexplained increase in the pay or allowance; or if there is no, or an incorrect, deduction for the employee's Federal Employee government Life Insurance (FEGLI) or Federal Employee Health Benefits insurance (FEHB). A judgment must be made whether a reasonable person could be expected to detect the error in the pay from official forms giving notice of personnel actions from; allowance authorizations in his or her possession; or from the statement of earnings, deductions, and leave provided as part of the Earnings and Leave Statement. The employee must be found not responsible in order to receive a waiver.

(6) Item 11. If answer to 10 is "Yes" – Did the employee inquire into the correctness of their pay or allowance? If an employee fails to advise the appropriate supervisor, Human Resources Division, or the NPB of a suspected overpayment, the overpayment shall be repaid. If an employee did advise the appropriate officials, then a waiver may be granted. Good faith is required of the employee.

(7) Item 12. Would collection action be against equity, good conscience, and the best interests of the United States? Generally, there is sufficient evidence to waive repayment if an erroneous payment occurs through an administrative error and there is no indication of fraud, misrepresentation, fault, or lack of good faith. Regulations require the following: "Waiver of overpayments of pay and allowances under this standard

necessarily must depend upon the facts existing in the particular case. The facts upon which a waiver is based should be recorded in detail and made part of the written record."

(8) Item 13 and 14, Final Action. Actions by Waiver Approving Authority (Director BCE).

(a) Item 13 and 14, Final Action on GSA Form 2578. Block 13 identifies the affected Region or HSSO. One of the blocks in Block 14 shall be annotated with the amount of the waiver approval or denial, in whole or in part.

(9) Item 15. The BCE Director shall sign and date the GSA Form 2578 at block 15a and 15b and return the signed package to Payroll Policy. Payroll Policy will send a copy of the signed waiver package to the applicable Region or HSSO and designated Branch in BCE.

(10) Substantiating material. The investigative report shall contain copies of all factual material relating to the claim. This may include, but is not limited to, personnel action forms and Pay and Leave Adjustment Reports. The application for a waiver shall state whether the employee knew, or should have known, of the overpayment.

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CHAPTER 4. DEBT COLLECTIONS

PART 1. SECURITY OF ASSETS AND ACCOUNTABILITY

SECTION 1. SAFEGUARDING COLLECTIONS

1. Policies regarding duties.

a. BC responsibilities include deposit of incoming collections received and control of all GSA collections processed through lockboxes, credit cards, Fedwire deposits, IPAC, and EFT. These collections are for the sale of goods, services, refunds, claims and all other GSA collection activity.

b. Records must be maintained with sufficient detail to readily identify all collections and deposits. Physical control over receipt and deposit funds and accounts must also be maintained. The control records must disclose collections that have been deposited.

c. Reconciliation of collections to deposits and entry of transactions into the accounting system must occur on a timely basis (at least monthly).

2. Policies regarding physical facilities. Cash and negotiable instruments must be secured and safeguarded against waste, loss, unauthorized use and misappropriation.

3. General policy guidelines. Allow only authorized personnel access to the cash-handling activity ensuring that no one individual controls all key aspects of a transaction or event. Maintain accounting controls over the assets and record transactions timely and correctly. Control collections and ensure prompt deposit of all receipts using electronic collection mechanisms (tools or systems) to transfer money where possible.

4. Separation of duties for cash receipts. OCFO policy requires that persons responsible for handling cash receipts should not participate in the accounting or operating functions relating to any of the following: shipping and billing for goods and services; controlling accounts receivable and subsidiary ledgers; preparing and mailing statements of balances due and credits for returns and allowances or for adjustment of amounts due.

SECTION 2. LOSSES IN ACCOUNTS OF COLLECTION OFFICIALS

5. Accountability and liability of collection officials.

a. Accountability. Collection officers and other government employees who have physical custody of government funds or certain noncash items negotiable by the bearer or otherwise the equivalent of cash (e.g., vouchers, checks, securities, records) are defined by GAO as an Accountable Officer who is held to a standard of strict accountability for those funds.

b. Liability. Strict liability of accountable officers became firmly established in a series of Supreme Court decisions to give the officers incentive to guard against theft by others, but also to protect against dishonesty by the officers themselves. The liability is automatic and arises by operation of law at the moment a physical loss occurs or an erroneous payment is made (70 Comp. Gen. 12, 14 (1990); 54 Comp. Gen. at 114). When entrusted with or statutorily made responsible for public funds, government employees are, in effect, trustees for the taxpayers. They are personally liable for the loss of public funds in their custody.

6. Reporting a loss. In the event of a loss, shortage, or theft, the GSA collection officer must promptly report the facts to their immediate supervisor. If the loss appears to be the result of the collection officer's negligence or theft, the supervisor must impound and audit the funds. If the loss is the result of a robbery, the supervisor must call the local police and the Department of Homeland Security, Federal Protective Service, if available in the local area. The supervisor should coordinate the investigation and the gathering of documentation to support the final resolution of the loss and for establishing the audit file that is maintained by BC. . Irregularities in collection officer accounts are to be reported and relief, if any, granted as provided in 31 U.S.C. 3527, (PL 97-258), September 13, 1996 Statue 965 and GAO Title 7, Chapter 7.1.

PART 2. PROCESSING COLLECTIONS

SECTION 1. GENERAL DEPOSITS

7. Minimum documentation requirements. BCE and BCF receive collections (cash and/or checks) brought directly from the mail rooms. Upon receipt, collections must be logged in and processed immediately and placed in a locked safe or cabinet before processing for deposit. The log must have sufficient information to identify any lost check so that payment may be stopped immediately and a duplicate or substitute check can be obtained.

8. Separation of duties. No one individual will be allowed to control all key aspects of a transaction or event. Collections received by one collection officer should be logged in by a different collection officer. Also, the collection officer that prepares the deposit slip should not make the deposit. Duties of collection officers must be separated from recording the accounting entries.

9. Over the counter lockbox checks. Checks that should have been forwarded by the remitter to the lockbox but instead were received by BCE and BCF are considered over-the-counter collections. These checks must be reviewed and forwarded to the correct lockbox. The billing supervisor must take steps, either by letter or oral communication, to assist the customer in using the correct mailing address so that all future GSA payments will be properly mailed to the correct lockbox.

10. Foreign checks. Foreign checks shall be processed according to the procedures on Foreign Checks and Currency Deposits in accordance with TFM, Volume 1, Part 5, Chapter 6000.

a. Foreign checks drawn in U.S. dollars and payable through a U.S. bank shall be processed in accordance with normal deposit procedures.

b. Checks drawn on foreign banks payable in U.S. dollars, through a bank in the United States, will have an American Bankers Association (ABA) routing and transit number in the upper right corner, and may have Magnetic Ink Character Recognition encoded with the U.S. bank's ABA routing and transit number at the foot on the front left side of the check. The checks are included with the depositor's regular daily deposit made at the designated depository or Federal Reserve Bank (FRB).

c. Checks drawn on foreign banks and foreign branches of U.S. banks payable in foreign currencies are endorsed and transmitted for deposit with the SF-215, Deposit Ticket on a 1 to 1 basis (one SF 215 per check).

d. To comply with TFM, Volume 1, Part 5, Chapter 2000, Section 2030, a description of each check is maintained by the depositor to permit duplication in the event a check becomes lost, destroyed, or mutilated. Such a record shall also include the foreign currency amount. If adequate records are available to provide identification through an audit trail or if checks are scanned, the additional record maintenance is not necessary.

11. Other types of checks. All other deposits (cashier checks, bank drafts, postal and commercial money orders, Treasury checks) are processed through the lockbox.

12. General deposit audit file. A daily electronic Collection Document file for general deposits must be maintained by the collection personnel. The file must include at least the following documents:

- a. Photocopy of each check that was included in the deposit;
- b. Original documents that supported the deposit;
- c. GSA copy of the SF 215;
- d. CA\$H-LINK document which verifies the receipt of the deposit; and
- e. Photocopy of the confirmed copy of the SF 215.

13. Cash. When cash totals \$50 or more it should be converted to a check and a timely deposit made. See Chapter 1, Part 4, Cash Management, paragraph 23 for additional information.

SECTION 2. THE LOCKBOX PROCESS

14. Lockbox process. A lockbox is a post office box established by a financial institution (the lockbox bank) for receipt of payments to an agency. The lockbox system is authorized by Treasury as a collection mechanism to receive monies from remitters.

Treasury, GSA, and lockbox banks enter into an agreement whereby GSA directs its payees to forward payments for goods and services to specific post office boxes. Payments are picked up, processed, and deposited by the lockbox bank's personnel once per day. The total amount deposited each day is transferred by wire the following business day to GSA ALC at the FRB of Cleveland. The collection data relevant to each deposit is sent by the lockbox bank to BCE and BCF on the same day the collection is transferred to the FRB of Cleveland. All checks made payable to GSA shall be forwarded to one of the lockboxes listed below.

Financial and Payroll Services Division (BCE)

Lockbox Program Description	Address
Carrier refunds on overcharge notices issued by the Transportation Audit Program	General Services Administration Carrier Refunds on Overcharge Notices P.O. Box 979006 St Louis, MO 63197-9006
Airline refunds of unused, downgraded, or exchanged tickets for official government travel under the Transportation Audit Voluntary Payment Program	General Services Administration Transportation Audit Voluntary Program P.O. Box 979007 St. Louis, MO 63197-9007
Claim payments, Personal Property sales, Travel Management Center rebates, jury duty checks, recycling proceeds, overpayment refunds, and other miscellaneous type checks	General Services Administration Miscellaneous receipts for non-Federal claims P.O. Box 979009 St. Louis, MO 63197-9009
FAS Multiple Award Schedule Industrial Funding Fee payments	General Services Administration Industrial Funding Fee (IFF/SIFT) for Multiple Award Schedule Contracts P.O. Box 979017 St. Louis, MO 63197-9017
Supply, Form Center, or Consumer Information Center bill payments	General Services Administration Payments for non-IPAC bills P.O. Box 979020 St. Louis, MO 63197-9020
Collection of governmentwide Acquisition Contract (GWAC) -Customer Access Fee (CAF). Payments cover quarterly rebates due GSA from GWAC - CAF.	General Services Administration governmentwide Acquisition Contracts GWAC -CAF P.O. Box 970027 St. Louis, MO 63197-0027
Items sent by FEDEX or any type of over night/next day delivery should still be sent to this address. Checks should be made payable to	US Bank Attn: government Lockbox Mail Code # - SL-OL-O1GL

GSA.	1005 Convention Plaza (Lockbox 970027) St. Louis. MO 63101
Fleet non-IPAC payments	General Services Administration Payments for non-IPAC Fleet Bills P.O. Box 979083 St. Louis, MO 63197-9000
FAS/FTS, Payments are collected for Management Fees from the phone companies	General Services Administration P.O. Box 71365 Philadelphia, PA 19176-1365

Financial Services Division (BCF)

Lockbox Program Description	Address
PBS, Receives all payments for the Public Buildings Service and all other miscellaneous types such as claims, concessions, telephone refunds, etc.	General Services Administration P.O. BOX 301511 Los Angeles, CA 90030-1511
CITIBANK – PBS PBS – FedEx payments	General Services Administration P.O. Box 301511 5860 Uplander Way Culver City, CA 90230

15. Collection data forwarded to GSA by the lockbox banks. Copies of the checks that are deposited by the lockbox banks, the related original supporting documentation, and reports generated by the lockbox banks are forwarded to BCE and BCF. An overnight carrier provides this service to ensure delivery no later than the following day or the information is delivered electronically. The following collection data must be forwarded each business day by the lockbox bank to BCE and BCF:

- a. Report showing a summary for each batch and an itemized listing showing all remittances included in the deposit for that day.
- b. Copy of each check deposited that day.
- c. Backup documents that accompanied each remittance.
- d. Envelope for each remittance.
- e. Checks the lockbox banks were unable to deposit.
- f. Correspondence sent to the lockbox without checks.

16. Obtaining deposit totals. GSA collection personnel must make a daily inquiry to Treasury, Transaction Reporting System (TRS) to obtain totals of deposits made for the previous day. When an inquiry is made, a document is received from TRS, which displays the deposit summary report. The summary document lists by ALC each lockbox total deposited the previous day. The total of each lockbox amount that is listed

on the system inquiry should be listed separately on a daily control log under the related lockbox number.

17. Receipt of lockbox collection data by collection personnel. When the collection package that is forwarded by the lockbox bank is received by BCE and BCF, collection personnel opening the package will examine the contents to verify that the data contain all the required reports and backup documents and the total of the batches match the total on the relevant TRS inquiry for that deposit. The lockbox total is logged in the daily control log next to the amount recorded for the related TRS inquiry. If the two amounts do not agree, collection personnel will indicate the difference on the control log. A contact is established at each lockbox bank to assist GSA collection personnel with problems encountered with information received from the lockbox bank.

18. Collection audit file. A file folder should be established for each day's collections and maintained by collection personnel in the official file for reference and audit. The file should consist of:

- a. All batches for each day's deposits in batch number sequence.
- b. Each group of checks stapled to a copy of the applicable itemized listing and TRS Inquiry.
- c. Confirmed copy of the SF-215, Deposit Ticket, after it is verified to the TRS inquiry.

Files should be kept in a secured area and in accordance with the Privacy Act of 1974 (PL 93-579 and 94-394), 5 USC 552(a).

SECTION 3. DEBIT VOUCHERS

19. Lockbox and general deposits. An SF-5515, Debit Voucher is created when a remitter's check that has been deposited to a GSA ALC is returned unpaid by the remitter's bank. Lockbox and general deposit checks that are returned unpaid for any reason by the bank on which they are drawn will be logged in by the collection unit to reverse the previous entry. BCE and BCF will notify the appropriate SSO of the check status.

20. Sales of personal property. The FAS, Office of Personal Property Management (QSC), is responsible for conducting surplus personal property sales for Federal agencies. They are also responsible for collecting and depositing the proceeds to the FAS miscellaneous lockbox resulting from these sales and forwarding the documentation for recording in the accounting system. Copies of all checks should be made prior to depositing.

Treasury requires that the endorsement on checks deposited contain the ALC and the depositor's address, so that it will be possible to prepare an SF-5515, Debit Voucher,

from the information available on the uncollectible check, without having to reference the SF-215, Deposit Ticket. To ensure this requirement is met, the QSC has been provided with endorsement rubber stamps with the BCE ALC (47-00-0016) and address (General Services Administration, Financial and Payroll Services Division, BCE, 1500 E. Bannister Road, Kansas City, MO 64131-3088).

PART 3. OTHER COLLECTION SYSTEMS

SECTION 1. ELECTRONIC FUNDS TRANSFERS (EFT) SYSTEMS

21. Description. A collection system is described by Treasury as a tool or system by which amounts are transferred to a Federal agency from an outside source or from another Federal agency. Federal agencies use a number of collection mechanisms, both electronic and manual. Five important EFT mechanisms are: the ACH System; the Fedwire Deposit System (FDS); IPAC; Pay.gov; and the Electronic Lockbox. DCIA requires vendors to be paid by EFT, and as a condition of the EFT process, all vendors must provide their Taxpayer Identification Number (TIN). The TIN is used in the offset process by Treasury to collect any delinquent debt. The FAR vendor is required to register in the Central Contractor Registration (CCR) database which contains EFT information. If a vendor is not required to register in CCR, the CO must provide each vendor with an EFT enrollment form upon issuance of an order, unless the vendor qualifies for an exception as outlined in PL 104-13.

22. Preferred systems. Many systems can be used to collect money, but some more readily reduce administrative processing, improve deposit reporting, improve availability of funds to the government, and enhance convenience to remitters in paying their bills. DCIA requires all funds to be collected by EFT when cost-effective, practicable, and consistent with current statutory authority.

23. Fedwire Deposit System (FDS) process. On the payment date, the remitter will request its financial institution to wire funds to Treasury at the FRB of New York to credit the agency's account with same-day availability. The value of funds is transferred via Fedwire from the remitter's bank to the agency's ALC at the FRB of New York.

24. ACH. The ACH system is a nationwide electronic payment and collection network used by the Federal government, financial institutions, corporations, and individuals for the distribution and settlement of electronic financial transactions. It uses clearing house facilities which receive and distribute credit and debit entries for financial institutions. Funds are sent electronically through the Federal Reserve System. FMS also provides ACH services through the General Lockbox Network. The three types of ACH collection applications are Pre-Authorized Debit (PAD), Customer Originated Credits (COC), and Remittance Express (REX).

a. PAD is an electronic transfer of funds via the ACH system from a remitter's account, authorized in advance, in writing, usually to occur at regular intervals. PAD permits Federal agencies to collect payments automatically on predetermined due dates

from remitters. Remitters sign an enrollment form authorizing the agency to process debits directly against their bank accounts.

The funds are debited from the remitter's account by the financial institution and transferred through the ACH network to the agency. This type of collection mechanism is well suited for recurring payments of fixed amounts such as payment installments for out of service debts.

b. COC is an electronic funds transfer that the remitter initiates by requesting the financial institution send the payments to the ACH system and apply payments to the agency account. The remitter completely controls the timing and amount of payment.

c. REX is another electronic collection mechanism. It allows a Federal agency to use the ACH network to receive payments from the public. The remitter pays an obligation to the Federal agency by sending an ACH credit transaction to a unique routing transit number at the FRB. The FRB passes information to the TRS and updates the agency's account. This method saves operating cost to the government since no financial institution is needed to process the transaction.

The agency advises the remitter of what information to include in the REX transaction. The remitter provides instructions to its financial institution on the correct ACH format to use, the information to be included, and authorizes a credit transaction to the FRB. The FRB receives the transaction and credits the REX account. Transaction information is passed into the TRS. The transaction information, which includes both detail payment information and summary deposit (SF-215) information, is made available to the agency through TRS. The agency can download information to update its accounts receivable system.

25. Pay.gov. Treasury developed Pay.gov to process electronic collections using internet technologies. Pay.gov satisfies agencies and consumers demands for electronic alternatives by providing the ability to electronically complete forms, make payments and submit queries 24 hours a day. Pay.gov is a secure governmentwide collection portal. The application is web-based allowing customers to access their accounts from any computer with internet access. Pay.gov provides a suite of services allowing agencies to obtain and process collections in an efficient and timely manner. The Pay.gov application is comprised of five services: collections (ACH and credit card), forms, billing/notification, reporting, and verification.

26. Treasury Offset Program (TOP). TOP is a tool the government uses to collect nontax debt by withholding all or parts of Treasury payments. Claims are recorded in TOP with the TIN. Treasury payments with the same TIN are withheld and applied to the total amount due in TOP.

27. IPAC system. IPAC is one of the major components of the government On-Line Accounting Link System II (GOALS II). IPAC contains multiple components which consist of the following: 1) IPAC application which handles intragovernmental fund

transfers between agencies; 2) Retirement and Insurance Transfer System (RITS) which handles agency retirement and insurance payments to the Office of Personnel Management (OPM); and 3) Treasury Receivable Accounting and Collection System (TRACS) interface.

IPAC's primary purpose is to provide a standardized inter-agency fund transfer mechanism for FPAs. It facilitates the intragovernmental transfer of funds with descriptive data from one FPA to another. FPAs have the opportunity to send transactions to IPAC via on-line or bulk file connections. On-line transactions will be processed immediately, while bulk file transactions will be processed as close to real time as possible, depending on system volume and availability. These collections are for goods and services such as rent, maintenance, and personnel that one agency might provide to another.

SECTION 2. COLLECTION RECORDING PROCEDURES

28. Fund type. TFM, Volume 1, Part 2, Chapter 1500, describes accounts relating to the government's financial operations. This chapter of the TFM describes how funds are requested and created, as well as the basic characteristics of each of the fund types. In general, GSA should strive to immediately record all collections into the appropriate receipt fund. If the collection meets certain criteria described in the following paragraphs, it may belong in a receipt or deposit fund.

a. Receipt Funds Defined. OMB Circular A-11 defines receipts as the money collected by the Federal government and its accounts that is counted as income in the budget; it is classified as either governmental receipts (also known as receipts or revenues) or as offsets to budget authority and outlays. These monies are generically referred to as collections. Collections result from the following transactions:

(1) Sovereign power – payments from the public that result primarily from the government's exercise of its sovereign power to tax or otherwise compel payment, and from gifts of money.

(2) Business-type transactions with the public – payments from the public in exchange for goods and services.

(3) Intragovernmental transactions – payments from other Federal government accounts.

b. Deposit Funds Defined. TFM, Part 2, Chapter 1500, Section 1535, defines deposit funds as a liability in the government's central summary general ledger since those assets do not belong to the government. Circular A-11 defines deposit funds as monies that do not belong to the government. This includes monies held temporarily by the government until ownership is determined (such as earnest money paid by bidders for personal property sales) or held by the government as an agent for others.

The deposit fund account classification is proper for any account that meets one of the following three criteria:

- (1) Monies withheld from government payments for goods and services received.
- (2) Monies the government is holding awaiting distribution based on a legal determination or investigation.
- (3) Deposits received from outside sources for which the government is acting solely as a banker, fiscal agent, or custodian.

Deposit funds transactions are excluded from the GSA budget totals because the funds are not owned by the government.

PART 4. CLAIMS, CROSS-SERVICING, DEBTOR RIGHTS AND EMPLOYEE CHARGE CARD DELINQUENCY

SECTION 1. TYPES OF CLAIMS ORIGINATING OUTSIDE GSA

29. Accounts payable and miscellaneous claims. This section details the procedures and policies for claims outside of GSA.

a. **Accounts payable.** Included in this category are claims arising from erroneous payments, duplicate payments, overpayments, and payment recapture audit. Miscellaneous accounts receivable claims arise through no fault of GSA (as opposed to accounts receivable claims that arise through GSA payment actions). Usually miscellaneous receivable claims result from property damages, returned checks for non-sufficient funds or closed accounts. Property damages arise when a third party damages a GSA vehicle, building, or other personal property.

b. **Returned check fees.** Claims may result in the bank charging GSA a processing fee. In this case, these claims would involve GSA making an initial payment and then seeking reimbursement through a claim. It should be noted that these are not erroneous payment claims because GSA has incurred a true expense and should be reimbursed for the bank charges.

c. **Offsetting.** Whenever possible, during the first 30 days after a claim arises, GSA should try offsetting a payment to the customer against payments that GSA owes. While offset is preferable, it may not be possible in all cases, and GSA should not delay in commencing collection activities.

d. **Uncollected Debts.** DCIA requires that uncollected debts be referred to Treasury after 180 days. This 180 day requirement applies to claims as well.

e. Collection Fees. When Treasury collects a claim on behalf of GSA, Treasury will retain a portion of the collection as a fee to cover Treasury collection efforts. Because of this fee, GSA will only receive a portion of the total claim; therefore, GSA shall adjust the claim through the allowance for doubtful accounts.

f. Write-off Reversal. There may be instances when a claim is written off and then subsequently collected. In this case, GSA shall reverse the write-off (reinstating the claim) and record the collection. All payments made by the debtor on a delinquent debt must be applied in the following order: (1) administrative cost; (2) penalties; (3) interest; and (4) principal, unless late payment charges have been waived.

g. Excess cost/default termination. These receivables result from determinations by auditors or COs that contractors have billed GSA over and above what a contract calls for; excess costs from contract terminations; and contractor nonperformance resulting in default. These claims originate in the SSO.

h. Defective materials. These receivables result from payments made by GSA for items later determined to be defective. These claims originate in the SSO.

i. Audit related. Audit-related claims are the result of questioned costs on government contracts and originate in the OIG. Once the auditors and GSA management agree on the action to be taken, BCB will notify BCE and BCF. Upon receipt of the notice of resolution, BCE and BCF shall establish a memorandum file and log the potential claim. Upon making a final determination on an audit-related claim, the CO will issue the initial demand for payment. A copy of the demand letter shall be sent to the appropriate office, which will use it as the basis for establishing a claim receivable.

j. Liquidated damages. A stipulation in a contract on monetary amount that must be paid by the contractor if the contractor fails to deliver supplies or perform services as specified in the contract or any modification. Payments are in lieu of actual damages related to the failure in the contract performance (FAR 52.211-11 or 52.211-12). Progress payments are recouped by the government through the deduction of liquidations from payments that would otherwise be due to the contractor.

(1) FAS liquidated damages. These claims arise as a result of default by a bidder on either payment or removal of surplus personal property. These claims originate in the FAS Sales Office. If a bidder defaults, the CO forwards a "Notice of Default" to the bidder. If the default is not reversed, the contract is terminated and the buyer is assessed liquidated damages. At this time, the buyer's name and TIN is added to the Sales Automated System Bidders Default, Debarment List until collection is made. A copy of the termination lot and Notice of Default is forwarded to BCE and BCF by the FAS Sales Office which should be used as the basis for establishing a claim receivable.

(2) PBS liquidated damages. These damages arise from a contractor's late delivery or untimely performance on a contract when the delinquency is inexcusable and not the fault of the government. Liquidated damages are used only when the time of delivery or timely performance is so important that the government may reasonably expect to suffer damage if the delivery or performance is delinquent and the damage to the government would be difficult or impossible to estimate accurately or prove. Liquidated damages can be assessed only if the contract contains the applicable clauses. FAR Subpart 11.5 prescribes the policies and procedures for using liquidated damages clauses in solicitations and contracts for supplies, services, and construction. Liquidated damages clauses may also be included in leases. If because of the late delivery or untimely performance a CO terminates a contract for default or follows a course of action instead of termination for default, the CO must promptly assess and demand any liquidated damages to which the government is entitled under the contract. If liquidated damages are assessed but the contract is not terminated, the damages are usually offset against the unpaid contract balance. Otherwise, a letter is issued by the CO requiring payment from the contractor. These payments are then processed in accordance with GSA policy.

Liquidated damages are not the government's exclusive remedy for a contractor's late delivery or untimely performance but rather are in addition to any other remedies that are available under the contract or at law. Liquidated damages should not serve as a penalty, but rather they should be a reasonable approximation of the actual damages that would be suffered by the government.

k. Freight loss or damage – Transportation Accounts Payable System (TAPS). These are claims against a carrier for loss or damage to property and originate in the FAS National Customer Service Center (NCSC). There is a \$25 minimum for the filing of loss and damage claims against a carrier. The NCSC will send the initial demand letter and SF-362, U.S. government Freight Loss/Damage Claim, to the carrier and a copy to the BCE. No offsets will be made against carrier claims for 120 calendar days (41 CFR 101-40.711-1, claims against domestic carriers). Once the accounts receivable claim is established, the steps below must be followed.

(1) BCE and BCF must ensure that the initial demand letter to the carrier (debtor), which is prepared by the NCSC, properly notifies the debtor of interest and other late payment charges to be assessed if the claim is not paid within 120 days and that administrative offset will be performed after 120 days.

(2) Follow up with second and third demand letters at 30-day intervals after the 150-day period ends.

(3) Post the collected funds to interest, penalty, administrative cost, and general ledger accounts.

(4) Immediately update the claim file, so that the correct receivable balance is known in the event the claim is transferred to Treasury for collection.

I. Federal Supply Service Payment System (FEDPAY). Procurement types processed by FEDPAY include warehouse replenishments, direct deliveries, and vehicle purchases. The CO may issue the initial demand for payment. A copy of the demand letter, along with GSA Form 3586, Notice of non-Federal Claims Receivable, will be sent to the BCE.

(1) Upon receipt of a copy of the initial demand letter from the CO BCE will record the claim.

(2) Ensure that the initial demand letter to the contractor (prepared by the CO) notifies the debtor that late payment charges will be assessed on the claim if it is not paid within 30 days and that amounts due may be administratively offset against other money due from the government. It is not necessary to wait 30 days before offset.

(3) Initiate administrative offset against payments to the debtor for the amount of the claim.

(4) Follow-up with a second demand letter upon receipt of any claim 30 days old or older. A third demand letter will be issued 30 days after the date of the second demand letter.

(5) Ensure that late payment charges are accrued on all claims accounts from the initial demand letter date.

m. Discount on aggregate sales (Fund 255X). These claims arise out of additional discounts earned by the government if sales exceed benchmarks set in the contract. A copy of the demand letter will be sent to BCE and used as the basis for establishing a claim.

n. Vehicle damages involving third parties (Fund 455X). These are claims resulting from damages to GSA Fleet Management Center (FMC) vehicles where recovery is sought from a third party. These claims originate in the Regional FMC or in the Office of Regional General Counsel. An electronic file will be sent to BCE to establish a claim.

o. Freedom of Information Act (FOIA) (Fund 0890). GSA records are furnished to any member of the public upon request under FOIA regulations. Customer charges for these services originate in the SSO.

SECTION 2. TYPES OF CLAIMS ORIGINATING INSIDE BC

30. Policies and procedures for claims inside BCE and BCF.

a. Duplicate payments. Claims arising from duplicate payments by GSA to a vendor.

b. Erroneous Payments. Claims arising from payments made to the wrong vendor or in the wrong amount.

c. Automotive Payment System (AUTOPAY). Claims are the result of erroneous payments made to vendors in the automotive payment system. BCE will send the initial demand letter to the vendor and establish the receivable. Once the receivable is established, a copy of the demand letter along with any documentation will be transmitted to the appropriate division. Upon receipt, the division will establish a file and continue all follow-up if the claims are not satisfied within 30 days.

d. Travel advance. Funds to GSA employees that are not refunded timely.

e. Demand for payment.

(1) Duplicate and erroneous payment claims. BCE or BCF usually will initiate the first demand letter.

(2) Travel advance claims.

(a) In the case of an outstanding travel advance or voucher, the procedures to follow are contained in the PFM P 4290.1, GSA Internal Travel Regulations and Control of Official Travel or its successor.

(b) If an advance cannot be recovered the appropriate BCE will prepare an initial demand letter and forward the claim to the NPB for administrative offset.

(c) If BCE and BCF determine the debtor is a former employee they should forward the claim to Treasury for follow-up collection activity.

f. Federal Employee Health Benefits (FEHB). Insurance premium payments made on behalf of the employee while on LWOP. BCE will contact the employee regarding paying back the amount.

g. Erroneous overpayment of pay and allowances. Claims arising from overpayment of pay, benefits or allowances as the result of retroactive correction to the employee's personnel or payroll account. For further instruction on all claims arising, see Chapter 3, Section 31.

SECTION 3. CROSS-SERVICING

31. Debt collection requirements. DCIA requires agencies to refer their delinquent nontax debt over 180 days old to Treasury.

a. GSA retains responsibility for reporting debts on the TROR on Receivables Due from the Public (for direct and insured loans) and the Report on Guaranteed Loans (for

guaranteed loans). The GSA Treasury cross-servicing agreement covers all debts, including updates, changes, and modifications (Debts) submitted on or after the date of the Agreement, to the FMS for collection through DMS Cross-Servicing Program . By submitting debts via an add record or update record, the person submitting such debts is certifying to Treasury, under penalty of perjury pursuant to 31 U.S.C. § 3716, 31 U.S.C. § 3720A, and 28 U.S.C. § 1746, that to the best of his or her knowledge and belief, the following is true and correct:

Before debts can be submitted for Cross-Servicing it must be delinquent, valid, and legally enforceable in the amounts stated and the debts are not subject to any circumstances that legally preclude or bar collection, including collection by offset. There should be no foreclosures pending with respect to any collateral securing a debt and GSA records do not reflect that any debtor owing a debt has filed for bankruptcy protection. Alternatively, GSA can clearly establish that any automatic stay has been lifted or is no longer in effect.

b. Types of Treasury offsets.

(1) Administrative and Tax Refund Offset. GSA has established a profile instructing FMS to refer debts to the Treasury Offset Program (TOP) for Cross-Servicing on its behalf for the purposes of tax refund and administrative offset, the person submitting such debts will certify the following: GSA has complied with all of the provisions of 31 U.S.C. § 3717 and the Federal Claims Collection Standards, as well as other statutes, regulations and policies applicable to GSA's assessment of interest, penalties and administrative costs.

(2) Salary Offset. GSA must comply with all of the provisions of 5 U.S.C. § 5514 and 5 C.F.R. § 550.1101-1110, as may be amended, as well as other statutes, regulations and policies applicable to collection by Administrative Wage Garnishment. GSA must make a reasonable attempt to provide each debtor with the debt notice, including the opportunity for waiver consideration and for an administrative hearing before salary offset can begin by Treas-DMS.

(3) GSA is also responsible for removing accounts from receivables status when Treasury directs GSA to write-off Cross-Servicing debts. Treasury will rely on GSA OIG to ensure compliance with DCIA.

c. Excluded delinquent debts. There are six instances where debts are excluded from transfer to DMS. They are:

(1) Debts that are in litigation or foreclosure;

(2) Debts that will be disposed of under an asset sales program within one year after becoming eligible for sale, or later than one year if consistent with an asset sales program and a schedule established by GSA and approved by the Director of OMB;

(3) Debts that have been referred to a private collection contractor for collection for a period of time determined by Treasury;

(4) Debts that have been referred to a Federal debt collection center with the consent of Treasury and for a period of time determined by Treasury;

(5) Debts that will be collected under internal offset if such offset is sufficient to collect the debt within 3 years after the debt is first delinquent; and

(6) A specific class of debt may be excluded by the Secretary of the Treasury at the request of the GSA Administrator.

When a debt no longer falls in one of the above categories, and it remains valid and delinquent, it must be transferred to Treasury within 30 days.

d. Debts in appeal process. Debts in an administrative appeal process will be transferred to Treasury once the appeal process is completed and the amount due has been fixed. The date of delinquency is the date the original payment was due. Treasury realizes these debts may be past the 180 day period for mandatory referral.

e. Electronic debt referral.

(1) GSA will submit debts to Treasury cross-servicing via electronic transmission of add record or update records. Each time GSA submits a debt via an add record or update record, GSA is certifying that:

(a) GSA has complied with all of the provisions of 31 U.S.C. § 3716, 31 U.S.C. § 3720A, 31 C.F.R 285.2, and the Federal Claims Collection Standards (31 C.F.R. Parts 900-904), as may be amended, as well as other statutes, regulations and policies applicable to collection by administrative offset and tax refund offset.

(b) Written notification was provided at the debtor's most current known address, of the nature and the amount of the debt, the intention of GSA to collect the debt through administrative offset and tax refund offset, and an explanation of the rights of the debtor.

(c) Debtor has had an opportunity to inspect and copy the records of the GSA with respect to the debt.

(d) Debtor has had an opportunity for review within GSA of the determination of the GSA with respect to the debt, including the opportunity to present evidence that all or part of the debt is not past due or legally enforceable.

(e) Debtor has had an opportunity to enter into a written repayment agreement with GSA.

(f) GSA has considered any evidence presented by the debtor and determined that the amount of the debt is past due and legally enforceable and there are no pending appeals of such determination.

(g) GSA has, at a minimum, made a reasonable efforts to obtain payment of the debt by demanding payment and providing the debtor with the notice and opportunities.

(h) GSA has provided a written notice to all debtors explaining GSA's requirements concerning the charges. Certification: pursuant to 28 U.S.C. § 1746.

SECTION 4. EMPLOYEE DELINQUENT TRAVEL CHARGE CARD AMOUNT OWED TO A CONTRACTOR

32. Individually billed travel charge card. This section details the procedures and policies for collection of undisputed delinquent debt on contractor issued, individually billed travel charge cards.

a. Authority. PL 105-264 authorizes Federal agencies to collect undisputed amounts incurred on an employee's individually billed travel charge card from an employee's disposable pay. This statute is implemented by the Federal Travel Regulation (FTR), Parts 301-54 and 301-76.

b. Request for collection.

(1) The Director of Travel Policy and Charge Card Division (H1D) within the Office of Administrative Services is designated to receive the written request from the travel charge card contractor for collection from an employee's pay of undisputed debt on the travel charge card.

(2) The travel charge card contractor must make a written request to GSA with a copy to the employee. The request must include:

(a) Delinquent debtor's name and travel charge card account number;

(b) Amount of debt should be itemized by purchase and represent undisputed amounts owed on the travel charge card. No interest will accrue on amounts presented for collection;

(c) Copies of monthly statements showing the amount was properly billed to the employee account; and

(d) Contact at the travel charge card contractor with information to allow the employee an opportunity to make a written agreement to repay the debt and clarify the amount presented will not be increased.

(3) The written request, along with supporting documentation, will be reviewed to determine whether charges are undisputed and owed by the employee. Any discrepancies for amounts owed with the travel charge card contractor will be reconciled before any further steps are taken. After the review is completed, H1D will send documentation to support undisputed charges with the written request to BCF.

(4) Delinquent and undisputed travel advances may be collected by GSA if a proper travel claim is not filed by the traveler within five workdays after the travel is completed as required, unless the delay was not the employee's fault.

(5) Offset process and responsibilities. Federal salary offset is a mechanism for collecting obligations from Federal employees. BCE will deduct the amount due from current employee pay checks.

(a) BCE will review travel payment records and determine that all properly submitted travel expense vouchers have been paid to the employee. If the review shows that GSA has not reimbursed all payments, BCE and BCF will advise H1D of the amounts and the expected date of payment to the employee. H1D will notify the travel charge card contractor if any of these travel payments will delay the offset process. If all properly submitted travel expenses have been paid and BCE and BCF will forward all documentation to payroll to initiate the offset of bi-weekly pay.

(b) BCE will review the employee's payroll records and determine if the employee has the ability to pay the debt. If the employee does not have the ability to pay the debt, BCE will notify H1D by e-mail and no further action will be taken by BCE. BCE will notify the travel charge card contractor in writing that the employee cannot pay the debt by offset due to other debt collection with higher priority.

(c) If the employee has the ability to pay the claim, Payroll will notify the employee of GSA's intention to collect the debt by offset, the amount of the bi-weekly deduction, and pay periods in which deductions will begin; and provide copies of the documentation to the employee of the undisputed amounts owed to the travel charge card contractor. The notice to offset will be sent by certified mail, return receipt requested, to the home address contained in the employee master record. The notice will advise the employee that they will have 30 days from the date on the signed receipt to review the information and make a written agreement with the contractor to pay the debt.

(d) The employee will provide a copy of the written agreement to BCE. If the employee does not make an agreement with the travel charge card contractor to repay the debt within 30 days from the date the employee signed the return receipt, NPB will begin payroll offset deductions. If the employee does make an agreement with the travel charge card contractor at a later date, BCE will stop the offset after receipt of the written agreement between the employee and the travel charge card contractor.

(6) Due process.

(a) Notice to employee. When GSA determines that collection can begin, the employee must be notified and provided with the following due process protections as described in the FTR, Parts 301-54 and 301-76. Notice will be mailed to the employee's home address, return receipt requested. The written notice must include the following:

(i) Type and amount of the claim, identifying the travel charge card contractor and account number;

(ii) GSA's intention to collect the claim by deduction from the employee's disposable pay;

(iii) Copies of monthly account statements showing itemized charges that substantiate the undisputed debt owed;

(iv) Opportunity for review within GSA of the decision to collect the amounts; and

(v) Opportunity to make a written agreement with the travel charge card contractor to repay the delinquent amounts.

(b) GSA's responsibilities. GSA is responsible for assuring that the employee has been afforded due process before any amounts are collected from the employee's disposable pay as follows:

(i) A review was made to determine that the amounts requested represent undisputed delinquent debt owed by the employee on the contractor issued travel charge card.

(ii) The employee was afforded 30 days from the date the employee signed the return receipt as described in paragraph 4, above, to make a written agreement with the travel charge card contractor. If, however, the employee's signed receipt is not received within 10 days from the date of mailing, BCE will notify BCA to follow-up with the employee's approving official for a current mailing address. BCE must obtain a copy of the written agreement for the employee. If no agreement has been reached, collection may begin.

(iii) Notifying the employee that if they want a review within GSA, the request must be in writing or by e-mail and collection cannot begin until the review has been completed.

(7) Collection by BCE. Once all due process requirements are satisfied, BCE will proceed with collection and calculate the employee's disposable pay, defined as compensation remaining after the deduction from earnings of any amounts required to be withheld by law in FTR Part 301-76.2. BCE will calculate the amounts that will be

deducted and the number of pay periods over which collection will occur. Once all prerequisites are met, BCE will notify the employee and the travel charge card contractor that collection will begin the next pay period.

(a) No more than 15 percent of the employee's disposable pay per pay period will be collected under this procedure, unless the employee agrees in writing to a greater deduction.

(b) Debt covered by this collection procedure is lower in priority to all other involuntary collection, garnishment, and offset actions. It will not be collected if higher priority debt results in the collection of more than 25 percent of the employee's disposable pay for any given pay period.

(c) Collection procedures under this section will be terminated when the full amount of debt is collected, when the employee enters into a written agreement to repay the travel charge card contractor, or when the employee separates from GSA.

(d) The procedures outlined above shall not preclude a voluntary agreement between the employee and the travel charge card contractor for repayment. If a voluntary collection agreement is made, the parties must notify GSA in writing so that collection procedures can be terminated. Voluntary repayment may be accomplished through a voluntary allotment of pay initiated by the employee, but will not be effected through these procedures.

PART 5. DEBT COLLECTION PRACTICES

33. Telephone communication with the debtor. Federal customer agencies are not subject to the Fair Debt Collection Practices Act (FDCPA). The FDCPA provides guidance in communicating with public debtors. Additional information about the FDCPA can be found at FTC.Gov. The following Public Laws provide guidelines for debt collections practices.

a. Fair Credit Reporting Act of 1970, (PL 91-508) and (15 U.S.C. 1681 et seq.) as amended December 4, 2003.

b. Fair Debt Collection Practices Act of 1977, (PL 95-109) and (15 U.S.C. 1692 et seq.).

34. Appropriate debt collection practices.

a. Maintain objective written records of all communications with the debtor. Be aware that your written records (notes, e-mail, etc.) may be provided to the debtor upon request or may be subject to discovery in litigation.

b. Maintain professional, courteous, firm, and direct communication. Avoid getting angry or emotionally involved. Also be aware that some debtors may record your conversation.

c. Follow-up all telephone conversations with a written communication, if possible.

d. Direct the debtor to include the appropriate information on the check and to mail the check to GSA approved lockbox or suggests the debtor use another authorized method of payments, such as Pay.Gov.

35. Inappropriate debt collection practices.

a. Do not threaten the debtor.

b. Do not call the debtor and let the phone ring for harassment or threaten action that cannot be legally taken or is not intended to be taken.

c. Do not contact the debtor if he or she has stated in writing that they refuse to pay the debt. Instead notify the debtor in writing about specific collections actions that could be taken.

d. Do not contact the debtor during the bankruptcy process.

CHAPTER 5. REVIEW AND CERTIFICATION OF UNFILLED CUSTOMER
ORDER (UFCO)

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PART 1. UFCO

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CHAPTER 5. REVIEW AND CERTIFICATION OF UNFILLED CUSTOMER ORDER (UFCO)

PART 1. UFCO

SECTION 1. REVIEW AND CERTIFICATION OF UFCO

1. Review and Certification of UFCO. GSA requires that each SSO conduct a semi-annual review and certification of UFCOs. The review and certification must be accomplished by January 31 and July 31 of each fiscal year (FY) and will be subject to internal control testing conducted under OMB Circular A-123, Appendix A, Internal Control over Financial Reporting. An UFCO is established when a customer places an order for goods or services from GSA. An Undelivered Order (UDO) is established when GSA places an order with another agency or vendor for goods or services.

a. Each RC, SSO Controller and the PBS Office of Budget and Financial Management will send a written and signed certification to BC stating the semiannual review of UFCOs has been performed in accordance with this policy. Supporting documentation such as a list of obligations reviewed, action taken, and final determination must be included.

b. New UFCOs initially established less than 90 days will be excluded from the review. All other UFCOs will be reviewed under the criteria below.

(1) General Supplies and Services

The flow through processed through FEDPAY and Customer Supply Center (CSC) replenish the UFCOs.

(a) UFCOs from the current and prior FY, review 100 percent of orders over \$100,000 and 5 percent of the number of orders between \$5,000 and \$100,000.

(b) UFCOs older than the prior FY, review 100 percent of orders over \$50,000 and 10 percent of the number of orders between \$5,000 and \$50,000.

(c) Review 100 percent of all other UFCOs, over five years old, (including operating expense fund 255, 455, 130 and 142).

(d) For the current and prior two FYs, review 75 percent of the remaining dollar value of the UFCOs.

(e) UFCOs older than two prior FYs, review 100 percent.

(2) Other FAS business lines

(a) Review 100 percent of unassigned funding on UFCOs over five years old based on the budget FY of the customer's authority or equivalent.

(b) Review 85 percent of all UFCOs between three to five years old based on the budget FY of the customer's authority or equivalent.

(c) Review 75 percent of the remaining dollar value of unassigned funding on UFCOs less than three years old based on the budget FY of the customer's authority or equivalent.

(3) Public Building Service (PBS)

(a) Recurring and "F" type non-recurring Reimbursable Work Authorization (RWA) will not be reviewed under this policy.

(b) Review 100 percent of all UFCO balances of \$3 million or greater.

(c) Review 100 percent of all UFCO balances that are 98 percent or more financially complete.

(d) Review 100 percent of all UFCOs balances five years old or greater based on the customer's FY funding authority.

(e) Review 75 percent of UFCO balance between one to four years old based on the customer's FY funding authority with no financial activity for more than one year.

(4) Staff Offices

(a) For the current and prior two FYs, review 75 percent of the remaining dollar value of the UFCOs.

(b) For UFCOs older than two prior FY's, review 100 percent.

c. Documentation supporting the review and certification of the UFCOs must be maintained for two years by the RC, SSO Controller and PBS Office of Budget and Financial Management, and BC. All UFCOs deemed invalid must be deobligated in accordance with policy.

2. System reconciliation. The FAS Controller and PBS Office of Budget and Financial Management are responsible for performing an annual reconciliation of their service-owned interfacing business feeder systems with Pegasys. This review should be conducted as close as possible to the end of the FY to ensure the accuracy of the annual financial statements and other reports.

SECTION 2. CANCELLATION OF UFCO

3. Cancellation of UFCO. GSA COs have the important responsibility of executing contracts and orders that obligate the government to pay for goods and services. They must expend funding prior to expiration, and eliminate potential claims that may be incurred on contracts.

a. Delays in the contract closeout process can result in the loss of available funds, as appropriations obligated on these physically completed contracts close and are no longer available for use.

b. Financial managers have the important responsibility to ensure government obligations executed by CO are properly recorded in the financial management system.

(1) UFCOs recorded in the financial system must be reviewed, adjusted, and/or canceled per instructions from CO as required to ensure accurate, consistent, and timely financial reporting as well as proper business practice.

(2) Contract closeout.

(a) Heads of Contracting Activity (HCAs) are responsible for taking appropriate steps to ensure that completed contracts are formally closed in accordance with the FAR 4.804, and GSAM 504.804-5, and the guidelines provided below for simplified acquisitions and contracts with residual balances. The closeout actions in FAR 4.804-1(a) (2), (3), and (4) may be modified to reflect the extent of administration that has been performed.

(b) COs must be vigilant and proactive with respect to proper contract closeout procedures. COs must not allow completed contracts to remain open. Failure to conduct timely closeout is a violation of regulatory and statutory requirements, and negatively impacts GSA's accurate and timely financial reporting.

(c) Contract closeout and UFCOs cancellation guidelines.

(3) Simplified acquisition.

(a) Under FAR 4.804-1(a) (1), the CO only needs evidence of receipt of goods and services and final payment to close out the contract file. COs shall ensure that the contract award document and the statement of work include the following statement: "For payment purposes, the contractor shall mark its final invoice for payments as 'Final Invoice for Payment.'"

(b) CO shall instruct contracting representatives or project managers receiving supplies and services to forward copies of the receiving report and final invoice to the CO for contract closeout purposes as well as to the financial manager to record receipts in the accounting system for delivered orders.

c. Cancellation of UFCOs with residual balances.

(1) UFCO balances of \$100,000 or less should be canceled if deemed invalid. SSO fund managers (persons certifying the availability of funds) have the authority and responsibility to cancel balances if deemed invalid. Only valid UFCOs should be retained in the financial accounting system.

(2) The following procedures should be followed to cancel invalid obligations:

(a) SSO fund managers will generate a list of proposed UFCOs and present it to the CO and their Director for review and approval.

(b) CO or Director shall respond to the SSO fund manager within 45 days justifying in writing why any UFCOs on the list should not be canceled.

(c) If the fund manager receives no response from the CO, the fund manager shall reissue the request for justification in 30 day cycles until a response is received. The request will progressively move to the next level of management with new 30 days.

(d) When a CO approves the cancellation under items (b) or (c) above, the CO shall prepare the appropriate document/action necessary (such as contract modification) for the contract file.

(3) These actions by the SSO fund managers shall be considered an internal financial accounting action and shall have no bearing on the government's rights and duties under the contracts until the CO officially closes the contract. A contract file shall not be closed if:

(a) Contract is in litigation or under appeal or,

(b) In the case of a termination, all termination actions have not been completed.

d. Non-contracting officer acquisitions. For UFCOs created that did not require the signature of a CO {GSAM 501.603-1(f)}, the fund manager has the authority to correct or cancel any UFCO that is deemed invalid. Examples of such document types include micro-purchases using the governmentwide commercial purchase card, internal GSA orders, and security clearances (e.g., IX, GX). The fund managers shall follow the financial system procedures below for cancellation and shall inform the originator of the UFCO of the cancellation.

e. Financial system procedures for cancellation of UFCO. The fund manager will ensure the cancellation or amendment of UFCO proceeds as follows:

(1) Business Feeder System (Interface). Some business lines have their own acquisition systems, which send acquisition transactions to OCFO accounting system through an automated interface. In this situation, orders must be canceled or amended in the business feeder system. The processing of the interface transaction in OCFO accounting system will complete the cancellation of the UFCO in OCFO accounting system. This process is necessary to keep the business feeder systems and the OCFO accounting system in balance.

(2) Business Non-Feeder System (Non-Interface).

(a) Other business lines have acquisition systems that do not have an automated interface with the OCFO accounting system. In this case, the UFCO is created in the non-feeder business system and entered directly into OCFO accounting system. In this situation, the UFCO must be canceled in the non-feeder business system and then canceled in OCFO accounting system by manual entry.

(b) BCE and BCF Open Obligations Review webpage may be used to cancel invalid UFCOs. Items under \$100,000 will be deobligated automatically in OCFO accounting system but may require contract modifications and/or adjustments in the non-interface business systems. Items greater than \$100,000, (excluding accrued expenses) require CO action in the non-interface business system and in OCFO accounting system

(c) Orders that originate in the OCFO accounting system. These UFCOs are created through the use of the Purchasing module in the OCFO accounting system. In this situation, no other system is involved and the cancellation can be completed in the OCFO accounting system.

(3) Accrued expense. An accrued expense is a liability to pay for goods or services that have been received or supplied but have not been recorded or paid. Expenses for interest, taxes, rent, utilities, and salaries are commonly accrued for financial statement reporting. Accruals may be estimated amounts when the exact expense cannot easily be determined, and may require adjustments (up or down) or removal in the case of errors, SSO fund managers have the authority to adjust accruals that do not require contract actions.

Appendix A

Acronyms

AB	Agency Bureau
ABA	American Bankers Association
ACH	Automated Clearing House
ALC	Agency Location Code
AUTOPAY	Automotive Payment System
BC	OCFO, Office of Financial Policy and Operations
BCA	Financial Policy and Analysis Division
BCC	Financial Reporting Division
BCE	Financial and Payroll Services Division
BCF	Financial Services Division
BD	OCFO, Office of Financial Management Systems
BOAC	Billed Office Address Code
BPN	Business Partner Network
CAF	Customer Access Fee
CCLR	Claims Collection Litigation Reports
CCR	Central Contractor Registration
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CIS	Congressional Inventory System
CNC	Currently Not Collectible
CO	Contracting Officer
COC	Customer Originated Credits
CPC	Consolidated Processing Center
DCIA	Debt Collection Improvement Act of 1996
DMS	Debt Management Service
DOJ	Department of Justice
EFT	Electronic Funds Transfer
EIN	Employer Identification Number
FAR	Federal Acquisition Regulation
FAS	Federal Acquisition Service
FAST	Federal Account Symbols and Titles
FASAB	Federal Accounting Standards Advisory Board
FCCS	Federal Claims Collection Standards
FDCPA	Fair Debt Collection Practices Act
FDS	Fedwire Deposit System
FEDREG	Federal Agency Registration
FEDPAY	Federal Supply Service Payment System
FEHB	Federal Employee Health Benefits
FMC	Fleet Management Center
FMS	Financial Management Service
FOIA	Freedom of Information Act
FPA	Federal Program Agencies

FRB	Federal Reserve Bank
FTR	Federal Travel Regulation
FY	Fiscal Year
GAO	Government Accountability Office
GOALS II	Government On-Line Accounting Link System II
GSA	General Services Administration
GSAM	General Services Administration Acquisition Manual
GWAC	Governmentwide Acquisition Contract
HSSO	Heads of Services and Staff Offices
HCA	Head of Contracting Activity
IPAC	Intra-governmental Payment and Collection System
IRS	Internal Revenue Service
LWOP	Leave With-out Pay
NCSC	National Customer Service Center
OCFO	Office of the Chief Financial Officer
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PAD	Pre-authorized Debits
PL	Public Law
PBS	Public Buildings Service
RC	Regional Commissioner
REX	Remittance Express
RITS	Retirement and Insurance Transfer System
RWA	Reimbursable Work Authorization
NPB	National Payroll Branch
SF	Standard Form
SFFAS	Statement of Federal Financial Accounting Standards
SSO	Services and Staff Offices
TAPS	Transportation Accounts Payable System
TFM	Treasury Financial Manual
TIN	Taxpayer Identification Number
TRACS	Treasury Receivable Accounting and Collection System
TROR	Treasury Report On Receivables
TRS	Transaction Reporting System
TOP	Treasury Offset Program
UDO	Undelivered Order
UFCO	Unfilled Customer Order
U.S.C	United States Code
USSGL	United States Standard General Ledger
VSIP	Voluntary Separation Incentive Program